SOCIAL SECURITY PROVISIONS AFFECTING PUBLIC EMPLOYEES

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

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THURSDAY, MAY 1, 2003

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:05 a.m., in room B–318 Rayburn House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
April 23, 2003
SS–2

CONTACT: (202) 225–1721

Shaw Announces Hearing on Social Security Provisions Affecting Public Employees

Congressman E. Clay Shaw, Jr. (R–FL), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on Social Security provisions affecting public employees. **The hearing will take place on Thursday, May 1, 2003, in room B–318 Rayburn House Office Building, beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

Two Social Security provisions, the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP), affect potentially about 6 million Federal, State, and local government employees. While these provisions were intended to help equalize, not penalize, the treatment of workers, many of those affected believe the provisions are unfair. Alternatively, some have suggested that requiring all government employees to pay Social Security taxes would ensure equal treatment of both government and private-sector employees, and would eventually eliminate the need for the GPO and WEP. Legislative proposals have been introduced in the 108th Congress and previous Congresses to modify or repeal the GPO and WEP.

Government Pension Offset

Social Security pays retirement and disability benefits to workers who worked long enough in jobs subject to Social Security taxes. It also pays spouse or widow(er) benefits to their wives and husbands. Thus, married workers potentially qualify for two types of benefits: (1) a benefit based on their own work, and (2) a spouse/widow(er) benefit based on their spouse's work.

Spouse/widow(er) benefits were intended to help ensure that spouses who earned a relatively small amount have a floor of income. Therefore, spouse/widow(er) benefits are reduced dollar-for-dollar by any Social Security benefit a person receives based on his or her own work under what is called the "dual-entitlement rule."

Prior to the GPO's enactment in 1977, government workers who paid into a public pension *instead of* Social Security could receive a full public pension plus a full spouse/widow(er) benefit from Social Security. In contrast, government and private sector workers who paid Social Security taxes their whole careers had their spouse/widow(er) benefits reduced or eliminated under the dual-entitlement rule. The GPO was created to address this situation. Under the GPO, a worker's spouse/widow(er) benefit is reduced by $2 for every $3 of public pension resulting from a government job not subject to Social Security taxes.

Windfall Elimination Provision

Social Security's benefit formula is designed to help keep people out of poverty by replacing more of a low-wage worker's pre-retirement wages than a high-wage worker's. However, the benefit formula only uses wages subject to Social Security taxes and records "zero" earnings for time spent in government employment not subject to Social Security taxes. If a person has many years of "zero" earnings, he or she may appear to have low wages on average over his or her career when that was not the case.

Before the WEP was created, workers who spent some of their careers in government jobs not subject to Social Security taxes benefited from the "weighting" of Social Security's benefit formula toward lower-wage workers, and received a "windfall" relative to workers who paid Social Security taxes on their total earnings. Many people felt that middle and high-income workers should not be given a benefit intended for low-wage earners. The WEP was created in 1983 to address this situation.

Mandatory Social Security Coverage of State and Local Government Employees

Some research has suggested that requiring all newly hired government employees to pay Social Security taxes would ultimately eliminate the need for the GPO and WEP, simplify program administration and modestly improve Social Security's long-term financial outlook. Already, Federal employees hired after 1983 are required to pay into Social Security. However, as was reported in a 1998 General Accounting Office study (GAO–HEHS–98–196), States and localities with non-covered workers would likely face higher costs to provide pension benefits that, when combined with Social Security benefits, approximate benefits provided to their current workers. At the same time, the Social Security-covered workers would also receive additional benefits through Social Security that are not part of the existing public pension plan.

In announcing the hearing, Chairman Shaw stated, "The hard work and dedication of teachers, police officers, firefighters, other public employees, and all workers is deeply appreciated by our nation. Everyone, public and private sector workers alike, deserves fair treatment under Social Security. This hearing provides an opportunity to get the facts straight and carefully examine all options in addressing how Social Security's provisions affect public workers."

FOCUS OF THE HEARING:

The Subcommittee will examine why the GPO and the WEP were enacted, how they work and options for their modification or repeal. Implications of mandatory coverage of such employees will also be examined. Finally, the Subcommittee will determine how modifications to current law would affect beneficiaries, the budget and solvency of the Social Security Trust Funds.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Due to the change in House mail policy, any person or organization wishing to submit a written statement for the printed record of the hearing should send it electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225–2610, by the close of business, Thursday, May 15, 2003. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing should deliver their 200 copies to the Subcommittee on Social Security in room B–316 Rayburn House Office Building, in an open and searchable package 48 hours before the hearing. The U.S. Capitol Police will refuse sealed-packaged deliveries to all House Office Buildings.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not

in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. Due to the change in House mail policy, all statements and any accompanying exhibits for printing must be submitted electronically to *hearingclerks.waysandmeans@mail.house.gov*, along with a fax copy to (202) 225–2610, in WordPerfect or MS Word format and MUST NOT exceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Any statements must include a list of all clients, persons, or organizations on whose behalf the witness appears. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://waysandmeans.house.gov*.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman SHAW. I think we have a problem with seating this morning, but if we will all be patient with each other, we will get through this and have the hearing that we promised a few weeks ago. Social Security has been an enormously successful program. It has been providing essential income replacement for families when a breadwinner retires, dies, or becomes disabled. It is based on a simple principle: workers pay a portion of their hard-earned wages into Social Security in return for promised benefits. In addition, Social Security promotes social goals, such as poverty reduction, through its family benefits, and a benefit formula that provides more generous earnings replacement for low-wage workers. Policy makers have aimed over the last 70 years to make Social Security fair to all workers. One of the greatest challenges in achieving fairness is balancing the program's social goals with the principle of benefits as an earned right. Two examples of how Congress has struggled to find that balance are the Government Pension Offset (GPO) and the Windfall Elimination Provisions (WEP). Although their jobs may be exempt from Social Security taxes, hard-working and dedicated teachers, police officers, firefighters, and other public officials and public servants may still qualify for Social Security benefits based on marriage to another worker. While planning for retirement, many of these workers count on receiving both their government pension and full spouse benefits. Many are shocked to learn when they apply for Social Security benefits that their spousal benefits may be reduced or eliminated because of a provision called the GPO.

Many people wonder how such provisions ever made it into law. The reason is because Social Security spousal benefits were created to help homemakers who have little or no earned pension of their own. Consequently, every working wife or husband, regardless of their job, has their Social Security spouse and widow benefits reduced—everyone—reduced based on retirement benefits that they

earn, even though their spouse paid into Social Security and earned that spousal benefit. In fact, if you compare two workers who have earned equal retirement benefits during their lifetime, the government worker who does not pay Social Security tax will receive a higher spouse or widow benefit than the worker who does pay Social Security taxes. That is because workers who pay into Social Security have their spouse benefits offset by their worker benefit dollar dollar-for-dollar. Workers who did not pay Social Security have their spouse benefit reduced by $2 for every $3 in pension. Let me repeat that: workers who pay into Social Security have their spouse benefits offset by their worker benefits dollar-for-dollar. Workers who did not pay Social Security taxes have their spouse benefits reduced by $2 for every $3 of the pension. The WEP help ensure certain public employees who did not pay Social Security taxes on their government wages, but earn a benefit through other jobs, do not inadvertently receive more than their fair share of benefits. Social Security's benefits formula is designed to help people out of poverty by replacing more of low-wage workers' pre-retirement wages. However, if a worker does not pay Social Security payroll taxes for his or her job, the benefit formula records $0 of earnings for that job.

If a person has many years where zero earnings are recorded for his job, he or she may appear to have low average wages when that was actually not the case. As a result, the benefit formula will treat him or her as a low-wage worker and replace more of their pre-retirement wages, giving an unintended, so-called windfall. Here again, many public servants are unaware of these provisions and are stunned to learn that they will receive less than planned. We have found this through our hearings, and we have also found that the notice that is being sent out sometimes does not reflect that, and people are indeed unable to really plan for their retirement reasonably. Some have suggested newly-hired State and local workers should be required to pay Social Security taxes. Such a change would have several positive effects: family benefits and cost-of-living adjustment for public servants, elimination of both the GPO and the WEP, improved program finances, and simplified program administration. However, State and local governments might have to reduce or eliminate their current pension plans to pay the employer's share of the Social Security taxes.

Although these provisions were intended to equalize, not penalize, public servants, these complex provisions and proposals for change are often misunderstood. Through today's hearing, I hope we can clear the air and examine the facts on why these provisions exist, how efficiently they serve their intended purpose, as well as their effect on beneficiaries' lives. We will also examine legislative proposals to modify or repeal the WEPs and the GPO. As we move forward, we must carefully consider their short-term and long-term costs and their effects on benefits. Since Social Security benefits are paid out of current taxes, benefit increases for one group would have to be offset by benefit reductions for others, tax increases, or cutting back on other budget priorities. Clearly, any change potentially affects both today's workers and the taxpayers and everybody who will depend on Social Security in the future, so we must proceed very prudently. I look forward to hearing the views of all of

our witnesses, and we are making progress to identify ways to improve Social Security's fairness to all American workers. Mr. Matsui?

[The opening statement of Chairman Shaw follows:]

Opening Statement of the Honorable E. Clay Shaw, Jr., Chairman, and a Representative in Congress from the State of Florida

Social Security has been an enormously successful program, providing essential income replacement to families when a breadwinner retires, dies, or becomes disabled. It is based on a simple principle—workers pay a portion of their hard-earned wages into Social Security in return for promised benefits.

In addition, Social Security promotes social goals, such as poverty reduction, through its family benefits and a benefit formula that provides more generous earnings replacement for low-wage workers.

Policymakers have aimed over the last 70 years to make Social Security fair to all workers. One of the greatest challenges in achieving fairness is balancing the program's social goals with the principle of benefits as an earned right. Two examples of how Congress has struggled to find that balance are the Government Pension Offset and the Windfall Elimination Provision.

Although their jobs may be exempt from Social Security taxes, hard-working and dedicated teachers, police officers, firefighters, and other public servants may still qualify for Social Security benefits based on marriage to another worker. While planning for retirement, many of these workers count on receiving both their government pensions and full spouse benefits. They are shocked to learn when they apply for Social Security benefits that their spousal benefits may be reduced or eliminated because of a provision called the Government Pension Offset.

Many people wonder how such a provision ever made it into law. The reason is because Social Security spousal benefits were created to help homemakers who have little or no earned pension of their own. Consequently, *every* working wife or husband, *regardless* of their job has their Social Security spouse and widow benefits reduced based on the retirement benefits they earn, even though their spouse paid into Social Security and earned that spouse benefit.

In fact, if you compare two workers who have earned equal retirement benefits during their lifetime, the government worker who *does NOT* pay Social Security taxes will receive a *higher* spouse or widow benefit than the worker who *DOES* pay Social Security taxes. That's because workers who pay into Social Security have their spouse benefit offset by their worker benefit dollar for dollar. Workers who did not pay Social Security taxes have their spouse benefit reduced by $2 for every $3 of the pension.

The Windfall Elimination Provision helps ensure certain public employees who do not pay Social Security taxes on their government wages, but earn a benefit through other jobs, do not inadvertently receive more than their fair share of benefits. Social Security's benefit formula is designed to help keep people out of poverty by replacing more of low-wage workers' pre-retirement wages. However, if a worker does not pay Social Security payroll taxes for his or her job, the benefit formula records "zero" earnings for that job.

If a person has many years where "zero" earnings are recorded for his job, he may appear to have low average wages when that was not the case. As a result, the benefit formula would treat him as a low-wage worker and replace more of his pre-retirement wages, giving an unintended so-called "windfall." Here again many public servants are unaware of these provisions and are stunned to learn they will receive less than planned.

Some have suggested newly hired state and local workers should be required to pay Social Security taxes. Such a change would have several positive effects: family benefits and cost-of-living adjustments for public servants, elimination of both the Government Pension Offset and the Windfall Elimination Provision, improved program finances, and simplified program administration. However, state and local governments might have to reduce or eliminate their current pension plans to pay the employer's share of Social Security taxes.

Although these provisions were intended to equalize, not penalize public servants, these complex provisions and proposals for change are often misunderstood. Through today's hearing, I hope we can clear the air and examine the facts on why these provisions exist, how effectively they serve their intended purpose, as well as their effect on beneficiaries' lives.

We will also examine legislative proposals to modify or repeal the Windfall Elimination Provision and the Government Pension Offset. As we move forward, we must

carefully consider their short-term and long-term costs and their effects on benefits. Since Social Security benefits are paid out of current taxes, benefit increases for one group would have to be offset by benefit reductions for others, tax increases, or cutting back on other budget priorities. Clearly, any change potentially affects both today's workers and taxpayers, and everybody who will depend on Social Security in the future, so we must proceed prudently.

I look forward to hearing the views of all our witnesses and our making progress to identify ways to improve Social Security's fairness for all workers.

Mr. MATSUI. Thank you very much, Mr. Chairman. I want to particularly thank you for calling this hearing and also suggesting that we might move expeditiously to perhaps markup legislation. I realized that this issue had become very, very critical a few months ago when we had an issue in Texas, in terms of the Texas teachers' pension fund, and the fact that there was a way for the Texans to get around, so to speak, the GPO. There is a lot of pressure on us to take action on the broader issue, so I appreciate again the hearing, and also the possibility of a markup. Last year or the year before, I had suggested that we pull back on the reform of these two provisions, mainly because I had expected that we would be reforming the Social Security system. The President, as all of us know, in 2000, during the presidential race, had suggested that he wanted to privatize Social Security and so I had expected that by 2001, 2002, or perhaps 2003, we would raise this issue in the context of a larger Social Security reform package—particularly after the President's Commission came out with its recommendations, in December 2001.

Unfortunately, I believe the President will not raise the issue of reforming Social Security in 2003 or 2004. He probably will wait until the year 2005, after the election is over, because obviously, the issue of privatization has become very, very critical. It could obviously result in significant cuts in benefits for those current retirees. That being the case, I think we need to address this issue today, because unfortunately, about 400,000 people a year are affected by these provisions. Second, I think as the Chair had indicated, most people, almost all people, are not aware of the fact that these provisions exist in law. For example, the GPO was enacted in 1977, and we did not phase it fully in until 1983, mainly because of the impact on individual families. Because of the lack of awareness, people are really caught off-guard, particularly the surviving spouse but, in many cases, the entire family. In addition, to this, Federal property guidelines indicate that the surviving spouse in America today needs about 80 percent of what they were living on when two spouses were alive. The GPO causes a significant reduction in Social Security benefits—in many cases eliminating them altogether. We cannot allow widows particularly, and others to be put in this position.

The Chair has mentioned that this will cost money, and there is no question about that. We have calculated, based on estimates by the Social Security actuaries, that the costs of eliminating both the WEP and the GPO over a 75-year period would be one-tenth of 1 percent of the total gross domestic product (GDP) of this country. If, in fact, we reform Social Security completely for 75 years and make it whole and not have a reduction in the benefit levels, it

would cost about seven-tenths of 1 percent of total GDP. So, it is an expensive proposition to eliminate these two provisions. However, because next week, we are going to be marking up a tax bill in Committee, and probably be on the floor of the House, I might just point out that the President's entire tax proposal since he has been in office costs 2.7 percent of GDP. That is three times the actual cost of reforming the entire Social Security system for the next 75 years. I think the public ought to know that, because the trade-off is do we want to take care of the WEP and the GPO, or do we want to give a tax cut, such as eliminating the double-taxation of dividends, which we all know helps wealthy people? So, these are the trade-offs that we are really talking about. It is my hope that through this testimony, through my colleagues, through those witnesses, that will be talking about this issue, that we really define this issue, because the question is one of values. Do we want to really help widows and widowers, people who are really hurting, or do we want to help those that are wealthy in America? So, Mr. Chairman, I thank you for this hearing, and I also thank you for the possibility of perhaps marking up this legislation. Thank you.

[Applause.]

Chairman SHAW. We have several Members of Congress who have voiced interest in testifying before us this morning: a classmate of mine, Mr. Barney Frank, who came to Congress with me back in 1981; Mr. Berman of California; and Mr. McKeon of California. If we can proceed in that order, Barney?

STATEMENT OF THE HONORABLE BARNEY FRANK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. FRANK. Thank you, Mr. Chairman, and I appreciate your having this hearing. I think we have a moral obligation to make some changes here. I know we play games with words, but I must say, to begin calling this the windfall elimination is really quite offensive. We have people who are being told that they cannot fully collect money that, when they earned it, they were legally entitled to. This is an after-the-fact change for a lot of people. Nobody told people that it was a windfall when they worked both jobs, and we should not be telling them after the fact that it was a windfall to get what they had legally earned. I think the whole idea was a bad one, and if we can find the resources to repeal it, I think we should do that. I have a lesser proposal, and I must say I can think of no morally acceptable or economically good reason why we would not do it.

The proposal I have on the windfall elimination, which, as you know, was cosponsored by more than a majority of the House last year thanks to the active energies of a lot of people, would say that for people whose total income is less than $24,000, this does not apply at all, and between $24,000 and $36,000, it would phase it down. In other words, people who were making more than $36,000 would not get any relief. I am a little embarrassed that it is so modest, but I think it is important to try to do something. To take people whose total income from these two programs would be $24,000 a year or less, and to penalize them and reduce money they earned seems to me outrageous. I will be submitting, if I have

the consent of the Subcommittee, a memorandum from the Social Security chief actuary, and what they told us in July 2002 was after the bill is enacted, where at the rate of $2,000 a month, you are exempt, and up to $3,000, phased-in, the total cost in the year 2003, unfortunately, since the Committee did not act on it last year, and the House did not get to that, but it would have been $1 billion. For the 10 years that they estimated, the total cost was $17 billion. That is $1.7 billion a year.

[The information follows:]

SOCIAL SECURITY

MEMORANDUM

Date: July 9, 2002 — Refer To: TCB

From: Tim Zayatz
Office of the Chief Actuary

Subject:

Revised Estimates for a Proposal to Limit the Windfall Elimination Provision (WEP) to Workers with Combined Social Security (OASDI) Benefits and Non-Covered Pensions in Excess of $2,000 per Month—**INFORMATION**

Under present law, the Windfall Elimination Provision (WEP) may reduce benefits for workers who first become eligible after 1985 for OASDI benefits and at the same time are eligible for a pension based on non-covered employment. Auxiliary benefits are affected only through the reduction in the worker benefit.

The subject proposal, introduced as H.R. 1073, would eliminate WEP for workers with combined OASDI Primary Insurance Amount (PIA) and monthly non-covered pension of $2,000 or less; keep the current-law WEP for combined amounts above $3,000; and provide for a phase-in, in steps, for combined amounts between the thresholds. Under the proposal, these thresholds remain fixed over time. Estimates for this proposal were provided in my earlier memorandum dated May 8, 2002, but are restated here to correct for a problem discovered with those previous estimates.

Threshold amounts apply to benefits in current-payment status as of the effective date, which we assume to be January 1, 2003, as well as to benefits awarded in that year and later. The table below provides 10-year estimates for the proposal, in terms of the number of worker and auxiliary beneficiaries affected and the additional benefits that would be payable. Estimates are based on the 2002 OASDI Trustees Report intermediate set of assumptions.

Calendar year	Beneficiaries affected (In thousands)	Additional benefit payments (In millions)
2003	583	$1,033
2004	658	1,187
2005	741	1,347
2006	823	1,508
2007	904	1,667
2008	981	1,821
2009	1,053	1,965
2010	1,118	2,099
2011	1,177	2,219
2012	1,226	2,323
Totals:		
2003–2007	—	6,743
2003–2012	—	17,170

Note that language from bill H.R. 1073 was not specific as to how thresholds would be applied to beneficiaries in current-payment status as of the effective date (1/1/03). We assume that the combined PIA and non-covered pension amounts received in 2003 will be compared to the thresholds, which is consistent with previous estimates provided by our office. Alternatively, we could compare thresholds to the combined PIA and non-covered pension amounts at the time they are first concurrently received. This would result in markedly different estimates. We also assume threshold comparisons are done one time, as opposed to an ongoing annual basis.

/S/
Tim Zayatz, A.S.A.
Actuary

Now, I realize $17 billion is a considerable sum, but let me put that in perspective. President Bush said that a tax cut of $350 billion over a 10-year period was, to use the technical economic term he used, an itty-bitty tax cut.

[Laughter.]

Well, if $350 billion is itty-bitty, I am asking for 5 percent of an itty-bitty.

[Laughter.]

It would seem to me that to compensate people who worked hard at two jobs and who would otherwise be getting less than $24,000 a year, we could afford 5 percent of an itty-bitty. I think that may be a new method of counting here: one itty-bitty; two itty-bitties.

[Laughter.]

As Everett Dirksen said, an itty-bitty here and an itty-bitty there, and pretty soon, you are talking about a very large national deficit.

[Laughter.]

So, equity clearly argues for that, but also, efficiency does. I would also like to submit a letter from the Massachusetts Association of School Committees. I was visited by a group of people who run vocational schools in my district. They are regionalized in Massachusetts. We all agree that it is very important for us to train people in various fields of work. It has now become a major problem in the recruitment of vocational education teachers with experience in these trades, because they are told that they would run into this. People did not know this.

[The information follows:]

Massachusetts Association of School Committees, Inc.
Boston, Massachusetts 02109
January 21, 2003

Representative Barney Frank
United States House of Representatives
Room 2252 Russell House Office Building
Washington, DC 20515

Dear Congressman Frank:

Our Massachusetts delegation was delighted to have met with you to discuss critical federal legislation for public schools. We are very grateful, once again, for your willingness to give us time and to share your thoughts on several important bills pending before Congress and the newly enacted No Child Left Behind Statute.

We are particularly pleased to respond to your request for an explanation of how the Social Security Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) works to the specific disadvantage of our Massachusetts School districts and to our regional vocational technical schools in particular. Since you are

a long time champion of Social Security beneficiaries and you and your staff understand the pension reduction mechanism well, I will not go into detail about the pension calculation process. Suffice to say Massachusetts teachers are victims of the WEP and GPO. I would like to focus, however, on the unique problems for our public school districts trying to recruit teachers in vocational subjects and other disciplines.

Vocational Technical Schools attract many able teachers who bring years of private experience in the trades with them to the classroom. They are among our finest teachers because they share years of expert on-the-job training and skills with young students aspiring to enter their trades. Because Massachusetts public school employees have their own public pension system and do not participate as faculty in the Social Security retirement system under which many of them worked prior to teaching, many of our vocational teachers find their Social Security pension benefits reduced under WEP. Unfortunately, many did not anticipate this impact when they entered the teaching profession. Their successors, however, are much more mindful of the impact.

In the past we have always been able to recruit excellent teachers for vocational technical schools from the ranks of skilled tradespersons who were willing to retrain as educators. However, now, as we recruit craftspersons of all ages, but particularly among those who are doing life and retirement planning, we find they are unwilling to risk the loss of their hard earned Social Security pension benefits to enter a public retirement system. Tradespersons who might consider entering teaching in their mid 40s or 50s will, at best earn a public pension equal to 30 or 40% of their preretirement wage. Many will earn less. They would consider this career change seriously if they knew they could count on the full Social Security benefit to which they would be entitled had they not earned a separate Massachusetts public pension in their second careers.

When they confront having to sacrifice a significant share of their Social Security benefit to earn a public pension, they are reluctant to make a career switch to work with young students.

In the same situation are highly skilled workers in other professions, including those skilled in mathematics and sciences and other transferable subject matters who are also reluctant to give up Social Security to enter public employment when it means a meaningful reduction to their benefits.

We also note the impact of the Government Pension Offset for spouses establishes a similar disincentive for people to change careers to work in public schools. By offsetting the spouse's Social Security benefit based on that spouse's public pension earnings a two tiered system is created. Workers in identical jobs covered by Social Security might generate substantially different pensions for their spouses based solely on where those spouses worked or did not work.

We thank you again for your interest in this matter and for requesting our explanation of the impact of the WEP and GPO upon Massachusetts public school districts. We look forward to working with you and thank you most sincerely for your efforts on behalf of Social Security beneficiaries.

Yours truly,

Kenneth Pereira
Vice President

Let me, if I may, read a statement from this letter from the Massachusetts Association of School Committees. "In the past, we have always been able to recruit excellent teachers for vocational-technical schools from the ranks of skilled tradespersons who were willing to be trained as educators. However, now, as we recruit craftspersons of all ages but particularly among those who are doing life and retirement planning, we find they are unwilling to risk the loss of their hard-earned Social Security pension benefits to enter a public retirement system. Tradespersons who might consider entering teaching in their mid-40s or 50s will at best earn a public pension equal to 30 or 40 percent of their pre-retirement age; many will earn less. They would consider this career change seriously if they knew they could count on the full Social Security

benefits." I cannot understand why the richest country in the world has to impose on these people that kind of penalty. So, I believe that the cost is very reasonable. I would hope that we could even do more, but at the very minimum, it seems to me, what we are talking about is, and people talk about rewarding work, et cetera, we are talking about people who worked. They are only asking that they be allowed to collect, in their retirement years, the amount of money that they earned by their work. What we did with those earlier amendments was to take away from some of them who retroactively worked at the time, and now, we are imposing this kind of disincentive. So, I hope we will act this year.

Chairman SHAW. Thank you, Barney, and thank you for staying within the 5 minutes. I want to ask all the witnesses to stay within the 5-minute limit. The only problem is, you are not going to be able to get as many words in as Barney did in 5 minutes.

[Laughter.]

I am sure you can work on it. Howard, would you grab that microphone and pull it over to you? Howard Berman.

STATEMENT OF THE HONORABLE HOWARD L. BERMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BERMAN. Yes, I am going to try to just do an itty-bitty number of the words that——

[Laughter.]

I do appreciate very much, Mr. Chairman, your holding this hearing. This is an important issue, and it gives us a chance to highlight the unfairness public employees face when they retire. I became aware of this issue—I just did not quite know about it until a few years ago, when my friend, Bill Lambert, who represents the Los Angeles teachers, shared with me the plight that public school districts encounter in recruiting teachers. It turns out that one of the main deterrents to convincing professionals to teach in California is that teachers, in addition to agreeing to what I think are somewhat inadequate wages and overcrowded classrooms, lose most of the Social Security benefits they accrued working in other jobs. In fact, in some cases, retired teachers can lose up to two-thirds of their benefits because of the GPO and the WEP. This is quite unfair, since these teachers or their spouses paid into Social Security in former jobs, and now, they are penalized for becoming State employees. It is ironic: the whole essence of the Social Security system; it does not matter how much wealth Bill Gates has, how much income they have, what private pension programs they have. Nothing can affect their Social Security benefit. If you are a government employee who is entitled to a benefit in another pension system, you start dramatically losing your Social Security benefits. It is a real penalty on people who work in the public sector, and it has a very negative public policy implication in that it prevents what has become essential.

We have a desperate, desperate shortage of teachers in Los Angeles. We very much are interested in recruiting mid-career people, men and women who want to become teachers after spending time in other industries. Why taking that teaching job should ruin and cut into their ultimate Social Security benefit that they earned in

that other job is inexplicable to me. It is not just a California problem. Alaska, Colorado, Connecticut, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Ohio, Nevada, Texas, and Washington all face this very same challenge.

I think we should do something to help our States and our counties and municipalities in recruiting these employees, and getting rid of the GPO and the WEP are two ways to do this. I really hope that by conducting this hearing, you are showing that the Committee considers this to be a serious issue, and I hope we can go from here into action on this matter and would ask permission—someone has given me a group of letters of people far from my district—Texas seems to be the State of origin—that they would like as part of this record, and I do not know what happens to this record, but I would like to see if I can get these letters into it.

[The prepared statement of Mr. Berman follows:]

Statement of the Honorable Howard L. Berman, a Representative in Congress from the State of California

Thank you, Chairman Shaw, Ranking Member Matsui and Members of this Committee for holding this hearing to highlight the unfairness some public employees face when they retire.

I became aware of this issue some years ago when my good friend Bill Lambert, who represents the teachers in Los Angeles, shared with me the plight school districts encounter in recruiting teachers. He told me that one of the main deterrents to convincing professionals to teach in California is that teachers—in addition to agreeing to inadequate wages and overcrowded classrooms—lose most of the Social Security benefits they accrued working in other jobs.

In fact, in some cases, retired teachers can lose up to two-thirds of their benefits because of the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). This is unfair since these teachers—or their spouses—paid into Social Security in former jobs and now they are penalized for becoming state employees.

The two provisions were created under the false assumption that government pensions are the result of substantial careers in public service. All too often, this is not the case. For example, many of the teachers in the Los Angeles Unified School District are "mid-career" teachers—men and women who became teachers after spending time in other industries.

Los Angeles, in particular, has an extreme shortage of teachers, which is why teacher recruitment is so critical for them. But the provisions affect not only teachers, but also the majority of public employees: police officers, fire fighters, school bus drivers, and so on. In addition, this problem is not unique to California. Alaska, Colorado, Connecticut, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Ohio, Nevada, Texas and Washington face the same challenge.

We are all familiar with the critical need our need for dedicated public employees. We must help our states, counties and municipalities in recruiting these employees. We can do this by eliminating the GPO and WEP.

Thank you again for holding this hearing. I hope this is the first of many conversations that will lead to the elimination of this unfairness in Social Security.

Chairman SHAW. Without objection——

Mr. BERMAN. Thank you.

Chairman SHAW. Whatever happens to this record, those letters will be with it.

Mr. FRANK. Excuse me, but I neglected to ask for permission to submit a couple of documents.

Chairman SHAW. All witnesses will be able to submit the full statement or extraneous material as they see fit. Mr. McKeon, who has been very, very persistent and stubborn about wanting this hearing—now, you have it. You have your own microphone, so you may proceed.

STATEMENT OF THE HONORABLE HOWARD P. "BUCK" MCKEON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. MCKEON. Thank you, Chairman Shaw, Ranking Member Matsui, and Members of the Subcommittee on Social Security for allowing me the opportunity to testify before you today on the GPO and WEP. I would like to express my gratitude to you for your willingness to hold an open dialogue on the problems that these provisions pose to the retirement of millions of dedicated public workers. I would also like to take this opportunity to welcome my fellow colleagues and other distinguished guests for their support and testimony on this important issue. Two years ago, along with my colleague, Congressman Howard Berman—he has already talked a little bit about how Mr. Lambert approached us and made us aware of how important this was to teachers in our area of California—together, we introduced the Social Security Fairness Act (H.R. 594), which would have brought a complete repeal of the GPO and WEP. These portions of Social Security law reduce Social Security benefits for people who have invested money into both a State pension plan and Social Security. Specifically, the GPO cuts spousal benefits by two-thirds, and the WEP uses a formula to determine the precise amount of benefit loss, which could turn into a complete loss of one's Social Security. In the 107th Congress, this bill garnered the bipartisan support of 186 cosponsors. Shortly thereafter, we had to divert our attention to national security and the impending war on terror in the shadows of the September 11th tragedy.

As our great country has risen out of the tragic events of 2001 to proclaim victory against al-Qaeda, and most recently freedom for the people of Iraq, Congressman Berman and I reintroduced the Social Security Fairness Act and look forward to working with our colleagues this year to pass this important piece of Social Security legislation, which already has 188 bipartisan cosponsors. As the post-9/11 world has shown us the beginning of a new chapter in our history, it has also illustrated the utter importance our first responders, firefighters, and peace officers, play in our national defense and protection. I feel that this repeal would take large strides in showing our appreciation to these selfless public servants. They risk their lives every day for our safety. It is imperative that we change these laws to encourage people to make the personal sacrifices associated with this line of work. This encouragement, however, must expand to other professions in the public sector as well, as our educational system is experiencing a severe shortage of teachers. That was the thing that I think really caught my attention. In California alone at the time, we were suffering from a shortage of over 30,000 qualified teachers, and that problem is only going to get worse. Our children's educators play a vital role in the development of our Nation's youth. Education is the cornerstone upon which our country is built, and anything we can do to improve it enhances these United States.

Nevertheless, it has become increasingly difficult to recruit people to teach due to the knowledge that Social Security benefits will be reduced if he or she has past or present employment where they paid into Social Security. I talked to a lady the other night who happens to be a lobbyist in town. She enjoys a good living and a

good job. She said, in my later years, I would like to do something that I would get a little more satisfaction out of, and I would like to teach. She said I know of the windfall provision problem, and because of that, I do not want to take the risk. We have many people who could add a great deal to the teaching profession in their later lives and join teaching, but they are deterred by this. Mr. Chairman, we must alleviate the financial pressures our teachers will face once they reach the age of retirement and repeal these provisions to thank them for their dedicated efforts in the instruction of our children. Our legislation will improve and grant more incentives for teaching and bring more qualified people into this profession for the future. Again, I would like to thank you, Mr. Chairman, for your attention to this problem and your leadership in addressing this issue today, and I also have a few letters that I would like to enter, with your permission, into the record.

Chairman SHAW. It is going to be a very fat record, but without objection.

Mr. MCKEON. Thank you.

Chairman SHAW. Do any of the Members have any questions of these witnesses? If not, we thank you very much for taking the time to be here, and your effort. You have all delivered very powerful testimony.

Mr. MCKEON. Thank you very much.

[Applause.]

Chairman SHAW. We do have an additional Member who does wish to testify, and that is Mr. Jefferson. We will take him immediately after the next panel, which is made up of Robert Wilson, who is the Deputy Commissioner of Legislation and Congressional Affairs at the Social Security Administration (SSA). He will be accompanied by Timothy Kelley, Director of Benefits Staff, Legislation and Congressional Affairs at the SSA. Barbara Bovbjerg, who is the Director of Education, Workforce, and Income Security at the U.S. General Accounting Office (GAO). We thank all of you for being here. Your full testimony will be made a part of the record, and you may proceed in any way you wish. We will ask you to try to confine your remarks to 5 minutes. Mr. Wilson?

STATEMENT OF ROBERT M. WILSON, DEPUTY COMMISSIONER, LEGISLATION AND CONGRESSIONAL AFFAIRS, SOCIAL SECURITY ADMINISTRATION; ACCOMPANIED BY TIMOTHY J. KELLEY, DIRECTOR OF BENEFITS STAFF

Mr. WILSON. Thank you, Mr. Chairman. I do have a written statement.

Chairman SHAW. It will be made a part of the record.

Mr. WILSON. Mr. Chairman and Members of the Subcommittee, I am accompanied today——

Chairman SHAW. Oh, you do not have a mike. Excuse me; Mr. Kelley, would you pull your mike over for Mr. Wilson?

Mr. WILSON. Thank you. Good morning, Mr. Chairman, Members of the Subcommittee. As you have pointed out, I am accompanied today by Mr. Tim Kelley—still cannot hear me? Sorry.

Chairman SHAW. Pull it a little closer to you.

Mr. WILSON. Okay.

Chairman SHAW. That should do it.

Mr. WILSON. All right; thank you. I am accompanied today by Mr. Tim Kelley, Director of the Benefits Staff of the Office of Legislation. Thank you for the opportunity to discuss two Social Security provisions that are not well understood: the GPO, and the WEP. Today, I want to briefly describe how they work and also discuss issues that we should bear in mind when considering legislative changes to these provisions. First, the GPO provision was enacted in 1977. It affects government retirees who are eligible for two retirement benefits: a pension based on their own work in a Federal, State or local government job not covered by Social Security and a spouse's or surviving spouse's benefit based on their husband or wife's work in jobs covered by Social Security. The GPO reduces a person's Social Security benefit entitlement as the spouse or surviving spouse by an amount equal to two-thirds of their government pension. Before GPO, a person who worked in a government job not covered under Social Security could receive, in addition to a government pension, a full Social Security spouse's or surviving spouse's benefit. Today, about 376,000 beneficiaries have benefits fully or partially offset by the GPO, and of these, 73 percent are women. It is important to note that a person who works in a job covered under Social Security has always been subject to an offset under what is commonly known as the dual entitlement provision. This means that Social Security benefits payable to a spouse or a surviving spouse are reduced by the amount of that person's own Social Security benefit; thus, today, 6 million so-called dually-entitled beneficiaries receive the equivalent of the worker's benefit or the spouse's or surviving spouse's benefit, whichever is higher.

The GPO provision is intended to accomplish the same purpose as the dual entitlement provision, but the amount of the reduction is different. Under the dual entitlement offset, there is a dollar-for-dollar reduction. Under GPO, there is a two-thirds reduction. Because the reduction is less under the GPO than the dual entitlement offset, the government worker is somewhat better off even with GPO. Let me now turn to the WEP provision, which dates from the Social Security Amendments of 1983 (P.L. 98–21). It was intended to eliminate windfall Social Security benefits for retired and disabled workers who receive pensions from employment, again, not covered by Social Security. Without the WEP, high-income workers who spent part of their careers in jobs not covered by Social Security could be treated as low-lifetime earners for Social Security purposes, and they would inappropriately receive the advantage of a heavily-weighted benefit formula intended to provide workers who spent their whole lives in low-paying jobs with a relatively higher benefit in relation to their prior earnings. The WEP provision eliminates this potential windfall through a different, less-heavily weighted benefit formula, but unlike the GPO, the WEP can never eliminate a person's Social Security benefit. The WEP now reduces Social Security benefits for about 635,000 retired and disabled workers. Of those affected, about two-thirds are men.

The President's fiscal year 2004 budget includes a proposal to improve the administration of WEP and GPO provisions. By obtaining information from State and local government pension administrators, it would allow the SSA to independently verify whether bene-

ficiaries have pension income from employment not covered by Social Security. This change would improve our program stewardship and reduce program costs by an additional $2.2 billion over the first 10 years. In conclusion, let me say that Congress established the WEP and GPO provisions for good reason: to provide fair and equitable benefits under Social Security for workers in both covered and non-covered employment. A number of proposals have been made to change WEP or GPO provisions. Some proposals would eliminate the provisions entirely. Other proposals would provide higher Social Security benefits for government workers whose pensions from non-covered employment, in combination with their Social Security benefits, are below certain levels. However, as has been pointed out, these proposals would restore the favorable treatment many workers in non-government jobs had before enactment of the GPO and the WEP provisions, and these proposals, as has been previously pointed out, all share a common element: they would significantly increase the cost of the Social Security program. Finally, let me say that I believe that at this time, any significant changes should be considered in a broader context of addressing the financing of the Social Security program in the long-term. I want to thank you, Mr. Chairman and the Subcommittee, for giving me the opportunity to discuss the GPO and the WEP provisions. We would be glad to answer any questions you may have.

[The prepared statement of Mr. Wilson follows:]

Statement of Robert M. Wilson, Deputy Commissioner, Legislation and Congressional Affairs, Social Security Administration; accompanied by Timothy J. Kelley, Director of Benefits Staff

Mr. Chairman, Members of the Subcommittee:

Thank you for the opportunity to discuss the Government Pension Offset provision, or GPO, and the Windfall Elimination Provision, also known as WEP. These provisions are not well understood, so today, I would like to take some time to describe the purpose of these provisions, how they work, and issues that should be evaluated when considering legislative changes to them.

GPO Background

I would first like to describe the GPO provision and discuss why it was enacted in 1977. For ease of discussion, when referring to government employment, I am referring to employment at all levels of Federal or State government that is *not covered* by Social Security.

The GPO affects government retirees who are eligible for two retirement benefits:

- A pension based on their own work in a Federal, State, or local government job that was *not covered* by Social Security, and
- A Social Security spouse's or surviving spouse's benefit based on their husband's or wife's work in *covered* employment.

If the GPO applies, the person's Social Security spouse's or surviving spouse's benefit is reduced by an amount equal to two-thirds of the amount of the person's government pension based on work not covered by Social Security. As of December 2002, about 376,000 beneficiaries had their benefits fully or partially offset due to the GPO. Of those, 27 percent were men and 73 percent were women.

The intent of Congress when the GPO was enacted, was to assure that when determining the amount of a spousal benefit (e.g., wife's, husband's, widow's, widower's), individuals working in non-covered employment would be treated in the same manner as those who work in covered employment. The GPO provision removed an advantage that some government workers had before the GPO was enacted. Until then, a person who worked in a government job that was not covered under Social Security could receive, in addition to a government pension based on his or her own earnings, a full Social Security spouse's or surviving spouse's benefit.

However, a person who works in a job that is covered under Social Security is subject to an offset under the dual entitlement provision. This provision, which has

applied since 1940 when benefits were first payable to a worker's family members, requires that Social Security benefits payable to a person as a spouse or surviving spouse be offset by the amount of that person's own Social Security benefit. Thus, dually entitled beneficiaries receive the equivalent of the worker's benefit or the spouse's/surviving spouse's benefit, whichever is higher.

The GPO acts as a surrogate for the dual entitlement offset for workers receiving a government pension based on work not covered under Social Security because, if the work had been covered, any spouse's or surviving spouse's benefit would have been reduced by the person's own Social Security worker's benefit. The result of enactment of the GPO is that spouses and surviving spouses are treated similarly, regardless of whether their jobs are covered under Social Security or not.

Two-Thirds GPO Reduction

As noted previously, although the GPO provision is intended to accomplish the same purpose as the offset under the dual entitlement provision, the amount of the reduction under the GPO is different:

- Under the dual entitlement provision, there is a **dollar-for-dollar** reduction—if a person gets a Social Security retirement benefit of $600 based on his or her own work, then $600 is subtracted from any Social Security benefit the person would get as a spouse.
- Under the GPO, there is a **two-thirds** reduction. If a person gets a pension of $600 based on her own work in government, then two-thirds of it ($400) is subtracted from any Social Security benefit he or she would get as a spouse.

I would like to use an example that may help to clarify how the dual-entitlement offset applies to a widow and compare that to a similarly situated widow who is also entitled to a government pension. Ms. Jones is receiving a Social Security retirement benefit of $900 per month based on her own work. The amount she is potentially eligible for as a widow is also $900. The amount of her Social Security retirement benefit is subtracted from her widow's benefit, resulting in her widow's benefit being fully offset under the dual entitlement provision; she receives only her own Social Security retirement benefit of $900.

The other widow, Ms. Smith, is in a comparable situation, but Ms. Smith worked for the government, and her pension is $900. Potentially, she too, is eligible for a Social Security widow's benefit of $900. However, the GPO provision reduces the $900 widow's benefit by two-thirds of the $900 pension (i.e., $600). After subtracting the $600 offset, the $300 result is the amount of the Social Security widow's benefit payable in addition to her $900 government pension.

In this case, Ms. Jones, who worked only in covered employment, receives a total of $900, and Ms. Smith, who worked in government employment, receives a total of $1,200. As you can see, because the reduction under the GPO is not as large as under the dual entitlement provision, the government worker is better off than the person who worked in employment covered only by Social Security.

Dual Entitlement—Ms. Jones	GPO—Ms. Smith
Social Security Worker's Benefit = $900	Worker's Government pension = $ 900
Social Security Widow's Benefit = $900	Social Security Widow's benefit = $ 900 (before offset)
Total Widow's Benefit Payable = $ 0	GPO formula 2/3 of $900 = $ 600
Total Social Security Payable = $900	Worker's Government pension = $ 900
	Widow's Benefit ($900 − $600) = $ 300
	Total Pension & Social Security = $1200 (after offset)

"Last Day Test" Legislation

I would also like to discuss an issue that has received much attention in the last couple of months—the so-called "last day test" used in the GPO provision. The criterion used in the law to determine whether the government pension is based on work not covered by Social Security is to determine the coverage status on the last day of government employment. If the last day is not covered by Social Security, then the GPO reduction applies.

The present "last day test" allows certain workers eligible for a government pension based on non-covered State and/or local government employment to also receive full Social Security spouse's and/or surviving spouse's benefits by working only one day in covered employment. As GAO has testified before this Subcommittee, in these situations, Social Security contributions of less than $5 can result in lifetime

benefits of nearly $100,000. As you know, section 418 of H.R. 743 (the "Social Security Protection Act of 2003," which passed the House of Representatives on April 2, 2003) would require that State and local government workers be covered by Social Security throughout their last 60 months of employment with the government entity in order to be exempt from the government pension offset provision.

The Social Security Administration supports this provision in H.R. 743 as a way to improve the equity of the application of the GPO provision. Essentially the same proposal is included in President Bush's Fiscal Year 2004 Budget. Under present law, the vast majority of government employees affected by the GPO are not able to use the last day test because of the structure of the States' retirement systems. By replacing the last day test with a requirement that an individual's last 60 months of government employment must be covered, the provision would more equitably apply the GPO to all non-covered workers in a uniform and consistent manner. It would also provide more equitable and consistent treatment between workers in covered and non-covered employment for eligibility to Social Security spouse's and surviving spouse's benefits.

Purpose of the WEP

I would now like to discuss the WEP provision. The Social Security Amendments of 1983 (P.L. 98–21) included the WEP provision as a means to eliminate "windfall" Social Security benefits for retired and disabled workers receiving pensions from employment not covered by Social Security. (The provision does not affect the Social Security benefits payable to survivors of workers who received pensions based on non-covered employment.)

The purpose of the provision was to remove an unintended advantage that the weighting in the regular Social Security benefit formula would otherwise provide for persons who have substantial pensions from non-covered employment. This weighting is intended to help workers who spent their whole lives in low-paying jobs by providing them with a benefit that is relatively higher in relation to their prior earnings than the benefit that is provided for higher-paid workers.

However, because benefits are based on average earnings in employment covered by Social Security over a working lifetime (35 years), a worker who has spent part of his or her career in employment not covered by Social Security appears to have lower average lifetime earnings than he or she actually had. (Years with no covered earnings are counted as years of zero earnings for purposes of determining average earnings for Social Security benefit purposes.) Without the WEP, such a worker would be treated as a low-lifetime earner for Social Security benefit purposes and inappropriately receive the advantage of the weighted benefit formula. The WEP provision eliminates the potential "windfall" by providing for a different, less heavily weighted benefit formula to compute benefits for such persons.

Computation of the WEP Reduction

Let me explain how the reduction under the WEP is computed. To do this, I first need to explain how the regular (non-WEP) benefit formula works. Under the regular benefit computation rules, a three-step weighted benefit formula is applied to a worker's average indexed monthly earnings (AIME) to determine his or her primary insurance amount (PIA). The PIA is the monthly benefit amount payable to a retired worker first entitled at the full retirement age or a disabled worker. The PIA formula applicable to workers who reach age 62 or become disabled in 2003 is:

- 90 percent of the first $606 of AIME, plus
- 32 percent of the next $3,047 of AIME, plus
- 15 percent of AIME above $3,653.

Under the WEP computation, the 90-percent factor applied to a worker's average earnings in the first band of the Social Security benefit formula generally is replaced by a factor of 40 percent for workers who are receiving a pension from non-covered employment.

- Under the regular Social Security benefit formula, a worker would receive 90 percent, or $545, of the first $606 of his or her average indexed monthly earnings.
- Under the WEP formula, that worker would generally receive 40 percent—$242—of the first $606 of AIME.
- Under both scenarios, the 32 and 15 percent factors are the same.

For a worker first eligible in 2003, the maximum WEP reduction is $303 per month. Unlike the GPO, the WEP can never eliminate a person's Social Security benefit.

For workers who have 30 or more years of substantial earnings, the WEP does not apply at all. The reduction under the WEP is phased out gradually for workers who have 21–29 years of substantial covered earnings under Social Security.

However, the WEP provision includes a guarantee designed to help protect workers with relatively low pensions based on non-covered employment. This guarantee provides that the reduction in Social Security benefits can never exceed one-half the amount of the pension based on non-covered work.

As of December 2002, the WEP reduced the Social Security benefits of about 635,000 retired and disabled workers. Of those workers affected, 66 percent are men and 34 percent are women.

Proposal to Improve Administration of the WEP and GPO

The President's FY 2004 Budget includes a proposal that would improve the administration of the WEP and GPO by improving the coordination of reports of pension payments based on employment not covered by Social Security. This change would give SSA the ability to independently verify whether beneficiaries have pension income from employment not covered by Social Security. When a person applies for Social Security benefits, he/she is required to tell SSA if they are receiving a pension based upon non-covered employment. SSA then obtains verification of the pension and applies the WEP and/or GPO accordingly. SSA largely relies on the applicant to correctly inform us that he/she is entitled to a non-covered pension.

SSA has an ongoing computer-matching program with the Office of Personnel Management (OPM) that matches persons receiving Social Security benefits with persons receiving a pension from OPM based on non-covered employment. However, SSA does not have any similar program to identify Social Security beneficiaries who are also receiving pensions based on non-covered work for a State or local government.

A past study of SSA's administration of the WEP and GPO provisions by the General Accounting Office (GAO) found that there are many beneficiaries who are not subjected to the WEP and GPO because SSA does not know they are receiving pensions based on non-covered employment.

With respect to the issue of Social Security coverage for State and local government employees, approximately 6.3 million such employees are not covered by Social Security. This group represents 28 percent of the 22.6 million employees who work for State and local governments. There is much variation in the extent of Social Security coverage—both within States and between States. For example, about 70 percent of all non-covered State and local government employees work in seven States.

With this change, SSA would be able to obtain data on pensions based on non-covered work in a more timely and consistent manner. The proposal would thereby improve SSA's stewardship over the program and the Social Security trust funds. SSA's Office of the Chief Actuary estimates that this change would reduce program costs by $2.2 billion over the first 10 years.

Conclusion

In conclusion, let me note that Congress established the WEP and GPO provisions to prevent workers who spent a portion of their careers in employment not covered by Social Security from receiving more favorable treatment under Social Security than comparable workers who had worked a lifetime in covered employment. Congress' intention was to provide fair and equitable benefits under Social Security for workers in *both* covered and non-covered employment.

A number of proposals have been advanced to change the WEP or GPO provisions. Some proposals would eliminate the provisions entirely. Other proposals would provide higher Social Security benefits for government workers whose pensions from non-covered employment, in combination with their Social Security benefits, are below certain levels. These latter proposals focus on providing higher Social Security benefits to public sector retirees, who were not covered by Social Security during their years in government work, simply because their combined public pension and Social Security benefits are deemed to be "too low." However, in doing so, these proposals would reinstate the favored treatment afforded many workers in non-covered employment prior to enactment of the GPO and the WEP. Further, these proposals all share a common element—all would significantly increase the cost of the OASDI program.

Finally, because changes to the GPO and the WEP would be costly, we believe that at this time, any significant changes in the GPO or WEP should only be considered as part of the broader context of comprehensive reform of the Social Security program. Given that the program is not in actuarial balance, it seems appropriate that significant changes should be evaluated only when considering other elements in the future modernization of Social Security.

I want to again thank the Chairman and the Subcommittee for giving me this opportunity to discuss the GPO and WEP and to share SSA's analysis on the legislation before this Subcommittee. As always, I would be more than happy to provide assistance to the Members and more than willing to work with you to provide any additional information you request. I would be glad to answer any questions you might have concerning the WEP and GPO provisions.

Chairman SHAW. Thank you, Mr. Wilson. Ms. Bovbjerg?

STATEMENT OF BARBARA D. BOVBJERG, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GENERAL ACCOUNTING OFFICE

Ms. BOVBJERG. Thank you, Mr. Chairman, Mr. Matsui, Members of the Subcommittee. I appreciate your inviting me here today to discuss Social Security provisions affecting public employees. Social Security is designed to be a universal social insurance system and indeed covers 96 percent of American workers. The non-covered status of the other 4 percent, who are nearly all public employees, poses issues of fairness in the program, and you have asked me to focus on how these issues are addressed. My testimony is in three parts: first, a discussion of Social Security's coverage of public employees; second, a description of Social Security's special provisions affecting non-covered public employees; and third, the potential implications of mandating coverage for such employees. My statement is based on a body of work we have published on these topics in recent years. First, public employee coverage: approximately one-fourth of the nation's public employees are not covered by Social Security, which means they do not pay Social Security taxes on their earnings from government employment. At its inception, Social Security did not cover government employees, because they had their own retirement systems, and there was concern over Federal authority to impose tax on State governments. Since then, many State and local governments have elected Social Security coverage, and Congress has covered all Federal Government workers hired after 1983. However, about 6 million State and local government workers today remain outside the Social Security system.

Even though non-covered employees may have many years of earnings on which they did not pay Social Security taxes, they can still become eligible for benefits. Because their Social Security earnings records would show low- or no-covered earnings, under Social Security benefit formulas, these workers would be treated like low earners and would benefit from the program's progressive benefit structure. To avoid paying windfall benefits to such workers, Congress enacted provisions designed to recognize non-covered workers' special circumstances. Let me turn now to those provisions, and in the interest of time, I will not repeat Mr. Wilson's explanation of the GPO and the WEP. Let me move to the administration of these provisions, which we have found to be problematic. The SSA needs to know whether beneficiaries receive non-covered pensions. However, work we did in 1998 found that SSA is often unable to obtain this information, particularly for State and local workers. At that time, we recommended that the Internal Revenue Service (IRS) revise the reporting of pension information on the

form 1099–R, but the IRS has concluded it does not have the authority to make that change. We are today asking the Congress to direct the IRS to collect and report this information. Doing so would save millions of dollars for the trust funds and would reduce uneven and inequitable enforcement of these provisions.

These provisions are also viewed by many as confusing and unfair, and indeed, there are a variety of proposals to reduce or repeal these benefit reductions. Such actions, while they would reduce the confusion some retirees express when these benefit reductions are applied, would also be costly to the trust funds. Eliminating both provisions would cost about $40 billion over 10 years and would increase the long-range trust fund deficit by about 6 percent. Further, repeal would in fact redistribute income from those who have contributed to Social Security for a working lifetime to those who have not, which creates other issues of fairness. Finally, let me turn to the question of mandatory coverage. Making Social Security coverage mandatory for all has been proposed in the past to help address the program's financing problems and would ultimately eliminate the impetus for GPO and WEP provisions. Mandating coverage for public employees would reduce the long-term trust fund deficit by 10 percent. However, such a mandate could also increase costs for the affected State and local governments, and even then, because current uncovered employees would be grandfathered at their own option, the GPO and WEP would still be applied, although they would eventually, of course, become obsolete. In conclusion, there are no easy answers to the difficulties of equalizing Social Security's treatment of covered and non-covered workers. Any reductions in the GPO or WEP would ultimately come at the expense of other Social Security beneficiaries and of taxpayers. Mandating universal coverage would promise eventual elimination of the GPO and WEP, but at potentially significant cost to the affected State and local governments. Whatever the decision, it is important to administer all elements of the Social Security program effectively and equitably. To that end, I urge you to give IRS the authority it needs to identify recipients of non-covered pensions and help SSA maintain the integrity of its programs. That concludes my statement, Mr. Chairman. I am here for questions.

[The prepared statement of Ms. Bovbjerg follows:]

Statement of Barbara D. Bovbjerg, Director, Education, Workforce, and Income Security Issues, U.S. General Accounting Office

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss Social Security provisions affecting public employees. Social Security covers about 96 percent of all U.S. workers; the vast majority of the rest are state, local, and federal government employees. While these noncovered workers do not pay Social Security taxes on their government earnings, they may still be eligible for Social Security benefits. This poses difficult issues of fairness, and Social Security has provisions that attempt to address those issues. However, these provisions have been difficult to administer. They have also been a source of confusion and frustration for the workers they affect.

I hope I can help clarify and provide some perspective on the complex relationship between Social Security and public employees. Today, I will discuss Social Security's coverage of public employees, Social Security's provisions affecting noncovered public employees, and the potential implications of mandatory coverage of public em-

ployees. My testimony is based on a body of work we have published over the past several years.[1]

In summary, Social Security's provisions regarding public employees are rooted in the fact that about one-fourth of them do not pay Social Security taxes on the earnings from their government jobs, for various historical reasons. Even though noncovered employees may have many years of earnings on which they do not pay Social Security taxes, they can still be eligible for Social Security benefits based on their spouses' or their own earnings in covered employment. To address the fairness issues that arise with noncovered public employees, Social Security has two provisions—the Government Pension Offset (GPO), which affects spouse and survivor benefits, and the Windfall Elimination Provision (WEP), which affects retired worker benefits. Both provisions reduce Social Security benefits for those who receive noncovered pension benefits, and both provisions also depend on having complete and accurate information on receipt of such noncovered pension benefits. However, such information is not available for many state and local pension plans, even though it is for federal pension benefits. As a result, GPO and WEP are not applied consistently for all noncovered pension recipients. We have made recommendations to improve the availability and tracking of key information, and in the federal case, the implementation of our recommendations has saved hundreds of millions of dollars. However, congressional action appears to be needed in this area with respect to state and local government pensions. At the same time, a number of proposals have been offered to either revise or eliminate GPO and WEP. While we have not analyzed such proposals, we believe it is important to consider both the costs and fairness issues they raise.

Aside from the issues surrounding GPO and WEP, another aspect of the relationship between Social Security and public employees is the question of mandatory coverage. Making coverage mandatory has been proposed to help address the program's financing problems. According to Social Security actuaries, doing so would reduce the 75-year actuarial deficit by 10 percent. Mandatory coverage could also enhance inflation-protection, pension portability, and dependent benefits for the affected beneficiaries, in many cases. However, to provide for the same level of retirement income, mandatory coverage could increase costs for the state and local governments that would sponsor the plans. Moreover, the GPO and WEP would continue to apply for many years to come even though they would become obsolete in the long run.

Background

Social Security provides retirement, disability, and survivor benefits to insured workers and their dependents. Insured workers are eligible for reduced benefits at age 62 and full retirement benefits between age 65 and 67, depending on their year of birth.[2] Social Security retirement benefits are based on the worker's age and career earnings, are fully indexed for inflation after retirement, and replace a relatively higher proportion of wages for career low-wage earners. Social Security's primary source of revenue is the Old Age, Survivors, and Disability Insurance (OASDI) portion of the payroll tax paid by employers and employees. The OASDI payroll tax is 6.2 percent of earnings each for employers and employees, up to an established maximum.

One of Social Security's most fundamental principles is that benefits reflect the earnings on which workers have paid taxes. Social Security provides benefits that workers have earned to some degree because of their contributions and those of their employers. At the same time, Social Security helps ensure that its beneficiaries have adequate incomes and do not have to depend on welfare. Toward this end, Social Security's benefit provisions redistribute income in a variety of ways—from those with higher lifetime earnings to those with lower ones, from those without dependents to those with dependents, from single earners and two-earner couples to one-earner couples, and from those who do not live very long to those who do. These effects result from the program's focus on helping ensure adequate incomes. Such effects depend to a great degree on the universal and compulsory nature of the program.

According to the Social Security trustees' 2003 intermediate, or best-estimate, assumptions, Social Security's cash flow is expected to turn negative in 2018. In addition, all of the accumulated Treasury obligations held by the trust funds are expected to be exhausted by 2042. Social Security's long-term financing shortfall stems primarily from the fact that people are living longer. As a result, the number of workers paying into the system for each beneficiary has been falling and is projected

[1] See the list of related GAO products at the end of this statement.

[2] Beginning with those born in 1938, the age at which full benefits are payable will increase in gradual steps from age 65 to age 67.

to decline from 3.3 today to about 2 by 2030. Reductions in promised benefits and/or increases in program revenues will be needed to restore the long-term solvency and sustainability of the program.

About One-Fourth of Public Employees Are Not Covered by Social Security

About one-fourth of public employees do not pay Social Security taxes on the earnings from their government jobs. Historically, Social Security did not require coverage of government employees because they had their own retirement systems, and there was concern over the question of the federal government's right to impose a tax on state governments. However, virtually all other workers are now covered, including the remaining three-fourths of public employees.

The 1935 Social Security Act mandated coverage for most workers in commerce and industry, which at that time comprised about 60 percent of the workforce. Subsequently, the Congress extended mandatory Social Security coverage to most of the excluded groups, including state and local employees not covered by a public pension plan. The Congress also extended voluntary coverage to state and local employees covered by public pension plans. Since 1983, however, public employers have not been permitted to withdraw from the program once they are covered. Also, in 1983, the Congress extended mandatory coverage to newly hired federal workers.

The Social Security Administration (SSA) estimates that 5.25 million state and local government employees, excluding students and election workers, are not covered by Social Security. SSA also estimates that annual wages for these noncovered employees totaled about $171 billion in 2002. In addition, 1 million federal employees hired before 1984 are also not covered. Seven states—California, Colorado, Illinois, Louisiana, Massachusetts, Ohio, and Texas—account for more than 75 percent of the noncovered payroll.

Most full-time public employees participate in defined benefit pension plans. Minimum retirement ages for full benefits vary; however, many state and local employees can retire with full benefits at age 55 with 30 years of service. Retirement benefits also vary, but they are usually based on a specified benefit rate for each year of service and the member's final average salary over a specified time period, usually 3 years. For example, plans with a 2-percent rate replace 60 percent of a member's final average salary after 30 years of service. In addition to retirement benefits, a 1994 U.S. Department of Labor survey found that all members have a survivor annuity option, 91 percent have disability benefits, and 62 percent receive some cost-of-living increases after retirement. In addition, in recent years, the number of defined-contribution plans, such as 401(k) plans and the Thrift Savings Plan for federal employees, has been growing and becoming a relatively more common way for employers to offer pension plans; public employers are no exception to this trend.

Even though noncovered employees may have many years of earnings on which they do not pay Social Security taxes, they can still be eligible for Social Security benefits based on their spouses' or their own earnings in covered employment. SSA estimates that 95 percent of noncovered state and local employees become entitled to Social Security as workers, spouses, or dependents. Their noncovered status complicates the program's ability to target benefits in the ways it is intended to do.

Provisions Seek Fairness but Pose Administrative Challenges

To address the fairness issues that arise with noncovered public employees, Social Security has two provisions—GPO, which addresses spouse and survivor benefits and WEP, which addresses retired worker benefits. Both provisions depend on having complete and accurate information that has proven difficult to get. Also, both provisions are a source of confusion and frustration for public employees and retirees. As a result, proposals have been offered to revise or eliminate both provisions.

Under the GPO provision, enacted in 1977, SSA must reduce Social Security benefits for those receiving noncovered government pensions when their entitlement to Social Security is based on another person's (usually their spouse's) Social Security coverage. Their Social Security benefits are to be reduced by two-thirds of the amount of their government pension. Under the WEP, enacted in 1983, SSA must use a modified formula to calculate the Social Security benefits people earn when they have had a limited career in covered employment. This formula reduces the amount of payable benefits.

Regarding GPO, spouse and survivor benefits were intended to provide some Social Security protection to spouses with limited working careers. The GPO provision reduces spouse and survivor benefits to persons who do not meet this limited working career criterion because they worked long enough in noncovered employment to earn their own pension.

Regarding WEP, the Congress was concerned that the design of the Social Security benefit formula provided unintended windfall benefits to workers who spent most of their careers in noncovered employment. The formula replaces a higher portion of preretirement Social Security-covered earnings when people have low average lifetime earnings than it does when people have higher average lifetime earnings. People who work exclusively, or have lengthy careers, in noncovered employment appear on SSA's earnings records as having no covered earnings or a low average of covered lifetime earnings. As a result, people with this type of earnings history benefit from the advantage given to people with low average lifetime earnings when in fact their total (covered plus noncovered) lifetime earnings were higher than they appear to be for purposes of calculating Social Security benefits.

Both GPO and WEP apply only to those beneficiaries who receive pensions from noncovered employment. To administer these provisions, SSA needs to know whether beneficiaries receive such noncovered pensions. However, our prior work found that SSA lacks payment controls and is often unable to determine whether applicants should be subject to GPO or WEP because it has not developed any independent source of noncovered pension information.[3] In that report, we estimated that failure to reduce benefits for federal, state, and local employees caused $160 million to $355 million in overpayments between 1978 and 1995. In response to our recommendation, SSA performed additional computer matches with the Office of Personnel Management to get noncovered pension data for federal retirees in order to ensure that these provisions are applied. These computer matches detected payment errors; correcting these errors will generate hundreds of millions of dollars in savings, according to our estimates.[4]

Also, in that report, we recommended that SSA work with the Internal Revenue Service (IRS) to revise the reporting of pension information on IRS Form 1099R, so that SSA would be able to identify people receiving a pension from noncovered employment, especially in state and local governments. However, IRS does not believe it can make the recommended change without new legislative authority. Given that one of our recommendations was implemented but not the other, SSA now has better access to information for federal employees but not for state and local employees. As a result, SSA cannot apply GPO and WEP for state and local government employees to the same degree that it does for federal employees. To address issues such as these, the President's budget proposes "to increase Social Security payment accuracy by giving SSA the ability to independently verify whether beneficiaries have pension income from employment not covered by Social Security."

In addition to facing administrative challenges, GPO and WEP have also faced criticism regarding their design in the law. For example, GPO does not apply if an individual's last day of state/local employment is in a position that is covered by Social Security.[5] This GPO "loophole" raises fairness and equity concerns.[6] In the states we visited for a previous report, individuals with a relatively minimal investment of work time and Social Security contributions gained access to potentially many years of full Social Security spousal benefits. To address this issue, the House recently passed legislation that provides for a longer minimum time period in covered employment.

At the same time, GPO and WEP have been a source of confusion and frustration for the roughly 6 million workers and nearly 1 million beneficiaries they affect. Critics of the measures contend that they are basically inaccurate and often unfair. For example, some opponents of WEP argue that the formula adjustment is an arbitrary and inaccurate way to estimate the value of the windfall and causes a relatively larger benefit reduction for lower-paid workers. A variety of proposals have been offered to either revise or eliminate them. While we have not studied these proposals in detail, I would like to offer a few observations to keep in mind as you consider them.

First, repealing these provisions would be costly in an environment where the Social Security trust funds already face long-term solvency issues. According to SSA

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[3] See U.S. General Accounting Office, Social Security: Better Payment Controls for Benefit Reduction Provisions Could Save Millions, GAO/HEHS–98–76 (Washington, D.C.: Apr. 30, 1998).

[4] SSA performed the first such match in 1999 and advised that it will be done on a recurring basis in the future. SSA identified about 14,600 people whose benefits should have been calculated using WEP's modified formula. We estimate that detecting these payment errors will generate $207.9 million in lifetime benefit reduction for this cohort. We further estimate each year's match will generate about $57 million in lifetime benefit reductions for each new cohort.

[5] Exemption due to "The Last Day of Employment" Covered Under Social Security—State/Local or Military Service Pensions (SSA's Program Operations Manual System, GN 02608.102).

[6] See U.S. General Accounting Office, Social Security Administration: Revision to the Government Pension Offset Exemption Should Be Considered, GAO–02–950 (Washington, D.C.: Aug. 15, 2002).

and the Congressional Budget Office (CBO), proposals to reduce the number of beneficiaries subject to GPO would cost $5 billion or more over the next 10 years and increase Social Security's long-range deficit by up to 1 percent. Eliminating GPO entirely would cost $21 billion over 10 years and increase the long-range deficit by about 3 percent. Similarly, a proposal that would reduce the number of beneficiaries subject to WEP would cost $19 billion over 10 years, and eliminating WEP would increase Social Security's long-range deficit by 3 percent.

Second, in thinking about the fairness of the provisions and whether or not to repeal them, it is important to consider both the affected public employees and all other workers and beneficiaries who pay Social Security taxes. For example, SSA has described GPO as a way to treat spouses with noncovered pensions in a fashion similar to how it treats dually entitled spouses, who qualify for Social Security benefits both on their own work records and their spouses'. In such cases, each spouse may not receive both the benefits earned as a worker and the full spousal benefit; rather the worker receives the higher amount of the two. If GPO were eliminated or reduced for spouses who had paid little or no Social Security taxes on their lifetime earnings, it might be reasonable to ask whether the same should be done for dually entitled spouses who have paid Social Security on all their earnings. Far more spouses are subject to the dual-entitlement offset than to GPO; as a result, the costs of eliminating the dual-entitlement offset would be commensurately greater.

Mandatory Coverage Has Been Proposed

Aside from the issues surrounding GPO and WEP, another aspect of the relationship between Social Security and public employees is the question of mandatory coverage. Making coverage mandatory has been proposed in the past to help address the program's financing problems. According to Social Security actuaries, doing so would reduce the 75-year actuarial deficit by 10 percent.[7] Mandatory coverage could also enhance inflation-protection for the affected beneficiaries, improve portability, and add dependent benefits in many cases. However, to provide for the same level of retirement income, mandatory coverage could increase costs for the state and local governments that would sponsor the plans. Moreover, if coverage were extended primarily to new state and local employees, GPO and WEP would continue to apply for many years to come for existing employees and beneficiaries even though they would become obsolete in the long run.

While Social Security's solvency problems have triggered an analysis of the impact of mandatory coverage on program revenues and expenditures, the inclusion of such coverage in a comprehensive reform package would need to be grounded in other considerations. In recommending that mandatory coverage be included in the reform proposals, the 1994–1996 Social Security Advisory Council stated that mandatory coverage is basically "an issue of fairness." The Advisory Council's report noted that "an effective Social Security program helps to reduce public costs for relief and assistance, which, in turn, means lower general taxes. There is an element of unfairness in a situation where practically all contribute to Social Security, while a few benefit both directly and indirectly but are excused from contributing to the program."

The impact on public employers, employees, and pension plans would depend on how states and localities with noncovered employees would react to mandatory coverage. Many public pension plans currently offer a lower retirement age and higher retirement income benefit than Social Security. For example, many public employees, especially police and firefighters, retire before they are eligible for full Social Security benefits; new plans that include Social Security coverage might provide special supplemental benefits for those who retire before they could receive Social Security benefits. Social Security, on the other hand, offers automatic inflation protection, full benefit portability, and dependent benefits, which are not available in many public pension plans. Costs could increase by as much as 11 percent of payroll for those states and localities, depending on the benefit package of the new plans that would include Social Security coverage. Alternatively, states and localities that wanted to maintain level spending for retirement would likely need to reduce some pension benefits. Additionally, states and localities could require several years to design, legislate, and implement changes to current pension plans. Finally, mandating Social Security coverage for state and local employees could elicit a constitutional challenge.

[7] SSA uses a period of 75 years for evaluating the program's long-term actuarial status to obtain the full range of financial commitments that will be incurred on behalf of current program participants.

Conclusions

There are no easy answers to the difficulties of equalizing Social Security's treatment of covered and noncovered workers. Any reductions in GPO or WEP would ultimately come at the expense of other Social Security beneficiaries and taxpayers. Mandating universal coverage would promise the eventual elimination of GPO and WEP but at potentially significant cost to affected state and local governments, and even so GPO and WEP would continue to apply for some years to come, unless they were repealed. Whatever the decision, it will be important to administer all elements of the Social Security program effectively and equitably.

GPO and WEP have proven difficult to administer because they depend on complete and accurate reporting of government pension income, which is not currently achieved. The resulting disparities in the application of these two provisions is yet another source of unfairness in the final outcome. We have made recommendations to the Internal Revenue Service to provide for complete and accurate reporting, but it has responded that it lacks the necessary authority from the Congress. We therefore take this opportunity to bring the matter to the Subcommittee's attention for consideration.

Matter for Congressional Consideration

To facilitate complete and accurate reporting of government pension income, the Congress should consider giving IRS the authority to collect this information, which could perhaps be accomplished through a simple modification to a single form.

Mr. Chairman, this concludes my statement, I would be happy to respond to any questions you or other members of the Subcommittee may have.

GAO Contributions and Acknowledgments

For information regarding this testimony, please contact Barbara D. Bovbjerg, Director, Education, Workforce, and Income Security Issues, on (202) 512–7215. Individuals who made key contributions to this testimony include Daniel Bertoni and Ken Stockbridge.

Related GAO Products

Social Security: Congress Should Consider Revising the Government Pension Offset "Loophole." GAO–03–498T. Washington, D.C.: February 27, 2003.

Social Security Administration: Revision to the Government Pension Offset Exemption Should Be Considered. GAO–02–950. Washington, D.C.: August 15, 2002.

Social Security Reform: Experience of the Alternate Plans in Texas. GAO/HEHS–99–31, Washington, D.C.: February 26, 1999.

Social Security: Implications of Extending Mandatory Coverage to State and Local Employees. GAO/HEHS–98–196. Washington, D.C.: August 18, 1998.

Social Security: Better Payment Controls for Benefit Reduction Provisions Could Save Millions. GAO/HEHS–98–76. Washington, D.C.: April 30, 1998.

Federal Workforce: Effects of Public Pension Offset on Social Security Benefits of Federal Retirees. GAO/GGD–88–73. Washington, D.C.: April 27, 1988.

Chairman SHAW. Thank you. Mr. Matsui?

Mr. MATSUI. Thank you very much, Mr. Chairman. Mr. Wilson, you indicated in your testimony verbally and also in your written testimony that we should not really be addressing these issues until there is a broader context of Social Security reform. When do you think the President is going to have his Social Security reform package before us? In this Congress? In 2003–2004?

Mr. WILSON. Mr. Matsui, I cannot address that question.

Mr. MATSUI. You do not know?

Mr. WILSON. No, I do not know.

Mr. MATSUI. Do you know whether, at any time in the near future, he will bring it up, or is it just speculation at this time as to when he may come forward with a proposal?

Mr. WILSON. Again, I do not know.

Mr. MATSUI. Right; my understanding is that he is not going to do so, but I understand where you think he may or may not, but

we really do not know. So, you are basically saying let us just put this off?

Mr. WILSON. Well, no, Mr. Matsui, that is not really my intent. My intent is to indicate that changes in the WEP and GPO involve costs, particularly proposals eliminating them——

Mr. MATSUI. I understand what you are saying, and I do not mean to interrupt, but I am on a 5-minute rule here.

Mr. WILSON. Okay.

Mr. MATSUI. So, let me just say this, then. You are saying that we really do not need to make changes? Because your testimony really kind of said that, though it did not really say that. So, you are saying that basically, we do not need to make changes; the current situation with the WEP and the GPO are fine? Or are you trying to have it both ways? I just want to know, because I just want to know what we are up against.

Chairman SHAW. If I might interrupt you, I believe that whether it is changed is our job and not Mr. Wilson's.

Mr. MATSUI. I understand that, but you do have a President, and he makes a lot of recommendations. I assume that he will not want to duck this one.

Mr. WILSON. On the WEP and GPO?

Mr. MATSUI. So, I was wondering what the position might be.

Mr. WILSON. The Administration has no position on whether or not——

Mr. MATSUI. So, you are here today to tell us that you have no position on whether or not there should be a reform of the GPO or WEP, one; and then, second, you are here to say whatever you do, do not do it until we do Social Security reform; and three, last, that I do not know when this Social Security reform is coming up? So, I would like some help. What are you telling me? What did we waste our time here talking about this for?

Mr. WILSON. Well, I do not think it is a waste of time, Mr. Matsui, with all due respect.

Mr. MATSUI. Well, what is the President's position on this? What is your position on this?

Mr. WILSON. Again, we do not have an Administration position on any particular bill at this point with respect to WEP and GPO. The Commissioner's position on this is that, the SSA is here and willing to work with the Committee on addressing whatever issues it thinks it needs to address with respect to these programs.

Mr. MATSUI. I would like to move over to another area. You are suggesting, I think, and GAO is suggesting as well, that no general fund moneys go into this. Is that right? At least your testimony kind of indicated or at least ruled out general fund moneys going into solving this problem; is that correct?

Mr. WILSON. I believe that is correct.

Mr. MATSUI. Right, but I am sure you have, because you are obviously second in command at the SSA you have had an opportunity to review the Commission's recommendations to the President on his Social Security privatization proposal. I am sure you have; is that correct?

Mr. WILSON. I have——

Mr. MATSUI. Yes, you are familiar with the three proposals.

Mr. WILSON. Generally, yes.

Mr. MATSUI. In two of those proposals, there is a recommendation of general fund moneys at least for a temporary period of time to go to pay for the private accounts; is that correct?

Mr. WILSON. Yes.

Mr. MATSUI. Yes. So, you are willing to do it for private accounts and privatizing Social Security, but you are not willing to do it to help widows. I do not understand that. Where are the values there? You cannot answer that. So, I understand; I just want to—let me finish. You are willing to use general fund monies to pay for private accounts, for privatizing Social Security, but you are not willing to do it for first responders like firefighter families, police officers' families, and teachers' families. Is that correct, Mr. Wilson?

Mr. WILSON. No, I would not put it that way.

[Laughter.]

Mr. MATSUI. How would you put it, then, if you could tell me? I would like to get to the bottom of this.

Mr. WILSON. Well, not to be argumentative, Mr. Matsui, but the provisions here that we are talking about, while they affect government employees, they are not really targeted necessarily to those whom you have identified. They apply to government employees across the board. Again, we are here to work with the Committee in any way that we can to assist in addressing these concerns——

Mr. MATSUI. Thank you.

Mr. WILSON. About WEP and GPO.

Mr. MATSUI. Thank you.

Chairman SHAW. I would like to mention at this point that two of the recommendations did increase a widow's benefit as does my particular reform of Social Security, and I would be very happy to entertain the gentleman from California's proposal should you put one on the table.

Mr. MATSUI. Will the gentleman allow me to respond?

Chairman SHAW. Yes.

Mr. MATSUI. I think what you should do is bring your Social Security privatization proposal before the House so that we could vote on it, because I know that provision is in there, but we would love to have a vote on your proposal, because your proposal borrows about $11 trillion——

Chairman SHAW. Which pays every bit of it back——

Mr. MATSUI. Yes, in the year 2067.

Chairman SHAW. Preserves benefits and creates a $5 trillion——

Mr. MATSUI. If I might just respond to the gentleman and his first question, you do not pay it back until the year 2067.

[Laughter.]

Chairman SHAW. Well, it pays it back, and it does not decrease benefits. We are looking at some huge problems, but we have got our plate full on this particular subject, and we need to go forward on it. I would be glad to put my proposal next to the gentleman's proposal, should he have one.

Mr. MATSUI. I think we should just vote on your proposal.

Chairman SHAW. Yes, well—Mr. Ryan?

Mr. RYAN. No questions.

Chairman SHAW. Mr. Brady.

Mr. BRADY. Thank you, Mr. Chairman. I appreciate the testimony so far and know this is an important issue. I think Social Security is confusing, and I think there are some myths associated with the dealing with GPO that we need to discuss today. What I really wanted to do was go from the abstract to the real. This is a comparison for GPO. This is when you have identical families who have worked the same amount of time; who have got identical retirement benefits, and we chose basically the average family in America. What happens when the husband's Social Security retirement is about $1,000 a month, and the average wife's is about $700 a month. It varies a little by State-to-State as you would guess. This is what happens when the husband passes away, because that is where we are really, I think, concerned the most is when the widow is on her own. The way it works today is that the Social Security family, when the husband deceases, would have a month's retirement of $1,000. That is because there is a dual entitlement offset. I think that is one of the myths you talk about today: people do not know; every working family in America has an offset. It is 100 percent if you are in Social Security, but for GPO families, the reduction is less. Their spouses' benefits are reduced by two-thirds. So, they keep more than the Social Security families.

If we were to repeal GPO, the gap between all the rest of America, 96 percent who are Social Security families and the 4 percent that are not, would increase dramatically, because when you repeal GPO, you, in effect, treat those families like they have never worked at all; they are completely dependent, and so, we give them all of their husband's benefits. In this, the gap is pretty dramatic between the rest of America with an offset and the $1,700 if we repeal GPO. My question to our panelists today is sort of to verify this formula: if we were to repeal GPO, does that make the treatment between Social Security families and GPO families more equal, or does it make it less equal? Does it increase or decrease the gap between Social Security families and GPO families? Barbara, if you would like to start or Robert——

Ms. BOVBJERG. Well, in fact, this is one of the issues of fairness that we have raised. One of the things that I think Congress would have to consider in assessing these bills is that the GPO was designed to create a rough equivalence between people who have not been covered by Social Security and so have not been making contributions to the system and couples who have both been working and contributing—dually-entitled, we call them. Those latter folks are offset. So, that is the source of the GPO. If you were to repeal the GPO without consideration of the dually-entitled couples, you would restore that inherent inequity.

Mr. BRADY. Thank you. Sir?

Mr. WILSON. Yes, I would concur with that, Mr. Brady.

Mr. BRADY. That you increase the gap between identical families? They would be treated much differently if GPO was repealed—identical families?

Mr. WILSON. I believe that would be the case, as I understand your question. You are referring to a family where both a husband and spouse were covered by Social Security; when the husband or one of the spouses dies, then, the surviving spouse has an option of getting either her own benefit or the spousal benefit. In the cir-

cumstance where the spouse in this family was covered, and the spouse in the other family was working in a non-covered situation, the latter would get a full spousal benefit absent the GPO.

Mr. BRADY. This type of——

Mr. WILSON. Without the GPO, the spouse in the latter situation would get the full benefit of their pension, as well as, the full spousal benefit.

Mr. BRADY. So, this chart is essentially correct for the average Social Security and GPO family in America as far as treatment of how their retirement and spousal benefits would work?

Mr. WILSON. I believe it is.

Mr. BRADY. Thank you. Any other comments? Let me just make a point, and David, if you could change this real quickly; real quickly, Mr. Chairman, I think we have got three myths surrounding Social Security that are being discussed today that I think are real important. Just so you know, I have put these charts together trying to wade through the complications of Social Security and find out how this affected my families; the more work I did, the more I realized that these myths really, I think, are hurting the debate. The first is, back home, I hear this all the time: only teachers and government workers have their spouses' benefits offset. In a recent town hall meeting with 350 of my best teachers there, I asked the question how many of you know, how many of you realize that every other working family in America has an offset, too, has their spouses' benefits reduced? Not a single hand went up. No one was aware, and no one had been told that everyone else in America has an offset. In fact, GPO workers are treated a little better—I say a little better, not worse—than other families in America.

[The charts follow:]

3 MYTHS OF SOCIAL SECURITY

"Only teachers & government workers have their spouse's benefits offset."

Wrong. Every two-income family has an offset for spousal benefits.

In fact, workers under the Government Pension Offset keep the same or more of their spouse's Social Security.

GPO workers are treated better, not worse.

Social Security Family: **"Dual Entitlement" = 100% Offset**

Government Worker in Non-Social Security Plan: **GPO = 2/3 Offset**

"Private pensions aren't offset, just government pensions."

Government pension plans that don't pay into Social Security are not private plans, they are legal substitutes for Social Security. Government workers pay into their own plans in lieu of Social Security, so these plans are treated like Social Security.

GPO plans are offset by only 2/3 while Social Security workers with private plans have a larger offset, 100%. Each has one offset, which is fair.

"When my spouse dies, I won't see a penny of their Social Security. But if I'd stayed home all my life, I could keep all of it."

False argument. Only 6% of Social Security recipients are stay-at-home moms all their life, and it is getting even rarer. Besides, this should be no surprise. "Dependency" has been a staple of Social Security since 1939.

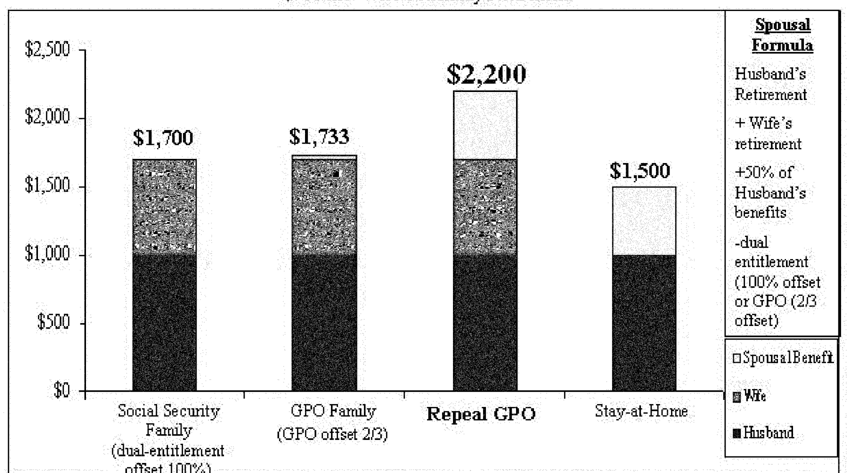
Source: Committee on Ways and Means, Subcommittee on Social Security.

GPO Comparison

Spouse Benefits -- Identical Families

Both Couple Members Retired & Living

$1,000/mo. Husband's Social Security Retirement
$700/mo. Wife's Monthly Retirement



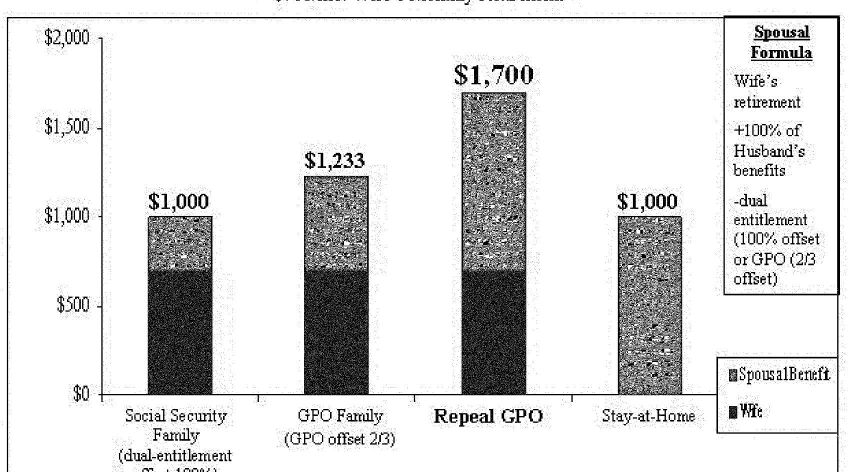
Source: Committee on Ways and Means, Subcommittee on Social Security

GPO Comparison

Spouse Benefits -- Identical Families

Husband Deceased

$1,000/mo. Husband's Social Security Retirement
$700/mo. Wife's Monthly Retirement



Source: Committee on Ways and Means, Subcommittee on Social Security

The second, private pensions are not offset, just government pensions. That is not correct, either. Government pension plans that do not pay into Social Security are not private retirement plans. They are legal substitutes for Social Security. So, they are treated like Social Security plans. Again, while Social Security plans for most of Americans are offset 100 percent, the GPO offset is only two-thirds, which I think again most people do not understand. Then, the third comment I get at home all the time is when my spouse dies, I will not see a penny of their Social Security, but if I stayed home all my life, I could keep all of it. Well, I did the research through the SSA. I asked the simple questions: how many stay-at-home moms are there? How many people really never work throughout their life, and get all of their husband's benefits? The bottom line is that today, it just does not happen much. About 6 percent of Social Security people today getting benefits are what you and I would describe as stay-at-home moms. It is getting rarer and rarer and rarer, because most people work after school, before they have kids. Many of them go back—even if they can stay home, go back and work again. So, sort of the traditional American family from 40 years ago, where only one works their whole life, just does not happen anymore. So, that has become a false argument. Mr. Chairman, I know I took way too much of my time, but maybe if any of the other panelists have comments later on, we can tackle this.

Chairman SHAW. Mr. Cardin?

Mr. CARDIN. Thank you, Mr. Chairman. Mr. Wilson, I am disappointed that you do not have recommendations before us in dealing with this issue. It seems like you are trying to defend these offsets knowing full well that they add complexity to the system; that they are not well-understood, as you pointed out, and a lot of our constituents are confused by this. It does create inequities. There are inequities created based upon the length of service you have in the private sector or covered employment or non-covered employment. We have inequities in the Social Security system when you die. If you die early, you are not going to get as much benefit as if you lived longer. So, there are inequities in the system. There are certainly inequities on the offsets. I guess I would have hoped that we would have had at least some comment of how we could reform the system to deal with that. On affordability, Mr. Matsui made this point, but let me just underscore it if I might. We have a proposal by Mr. Jefferson; we have a proposal by Mr. Frank, the total cost of which, I believe is somewhere around 0.03 percent of payroll. The current Social Security 75-year projected deficit is 1.92 percent of payroll, so that would take it from 1.92 percent to 1.95 percent, not very much change at all.

So, when you say defer until we look at a comprehensive proposal, I think it is unfair to the people who are adversely impacted by our current system of inequities. So, I just would have hoped that we would have had some discussion here at this hearing by SSA on what type of changes should be made in these offsets in order to deal with legitimate problems that are out there. Unfortunately, we have not seen that, and I would hope as we move for-

ward, we would get some concrete suggestions, because I can tell you, as Members of Congress, we cannot defend how these offsets are being applied in certain circumstances in our community, and we are looking for reasonable suggested changes in the system. Let me, if I might—I saw some inconsistency, I thought, between the testimonies of our witnesses on what is happening on need of information. Mr. Wilson, you get me a little bit nervous when you say that you are getting to be getting direct information from local government pension administrators, which seems to indicate to me that we perhaps are going to have a lot larger number of people who are going to be affected by the offset, or the dollar amounts of the offsets are likely to be adjusted. From GAO's testimony, I got the feeling that that cannot be done unless there was Congressional authority given to obtain that information. Can I get some clarification as to what we might expect on administrative changes that are taken by SSA; the number of people who may be affected by it and whether, in fact, Congressional authority is needed?

Mr. WILSON. I am sorry; I did not mean to suggest to you that we have definitely decided what approach to take. In fact, that is something that is under current discussion among SSA, the IRS, and the Office of Management and Budget. There are a number of ways that it could be approached. One option that Ms. Bovbjerg points out in her testimony is one approach which would require legislation, and as——

Mr. CARDIN. Sir, in your testimony you said that it will reduce program costs by an estimated $2.2 billion over the first 10 years.

Mr. WILSON. Yes.

Mr. CARDIN. How is that $2.2 billion arrived at if you do not have a specific proposal or specific change in administration?

Mr. WILSON. Well, I think it is based on an estimation of the number of people receiving income from non-covered pensions, non-covered work, and the amount that benefits would be reduced by the SSA having better information on the numbers of people potentially affected. Right now, the situation is that the SSA finds out if someone is receiving a pension from non-covered work based on their statement at the time that they apply. We have very little other sources of information. Your question earlier about going out to all the State and local governments, that is certainly one approach. Ms. Bovbjerg also suggested——

Mr. CARDIN. To obtain this extra $2.2 billion, do you know how many additional people will be subject to the offsets and how much the offsets would be increased?

Mr. WILSON. We estimate that 9 percent of the beneficiaries whose benefits should be affected by WEP or GPO.

Mr. CARDIN. How many are affected today? Maybe you should make this available for the record, because I know that my time is running forward, but there is a second point I want you to address also, and whether you can do that without Congressional authority. The GAO indicates that Congressional authority is needed. You are indicating you are going to do this on your own.

Mr. WILSON. I did not mean to suggest that we could do it on our own.

Mr. CARDIN. Well, I thought you did. I thought you said that the budget would implement these changes, and Mr. Chairman, I

would hope that we could get for our record how many people would be affected by this new policy. We know the number of people currently subject to the offset. I think we should know how many people SSA or GAO believe are out there that are not being subject to the offset today that you believe should be or if the dollar amount is wrong would be increased, because obviously, $2.2 billion over 10 years is a lot of money, and it would affect a lot of people. We have a right to know who is out there that you think are not currently—who are subject to it who are not getting the offsets today.

Mr. WILSON. If I could, I would like to supply that to you for the record, Mr. Cardin.

[The information follows:]

Based on a small sample from GAO's work in the State of Illinois, SSA's Office of the Chief Actuary (OCACT) estimates that, if SSA had perfect knowledge, the number of prior State and local government employees whose Social Security benefits are affected by the WEP or GPO would increase by 9 percent. OCACT assumes that about 80 percent of these potentially affected beneficiaries would be detected by enforcement with "reliable" data, which then represents a 7.2 percent increase, rather than 9 percent. The cost estimates are based on these assumptions.

With respect to beneficiaries who receive pensions from State and local government employment not covered by Social Security, there were 235,708 beneficiaries (including auxiliaries) affected by WEP and 239,267 beneficiaries subject to GPO as of December 2002. Thus, a 7.2 percent increase would raise the number of beneficiaries subject to WEP and GPO by about 17,000 beneficiaries for each—for a total of about 34,000 additional beneficiaries impacted by the WEP and GPO provisions.

The proposal would just impact prior State and local government employees because, for the Federal government sector, SSA already has in place a computerized record match with the Office of Personnel Management to inform SSA of pension receipt.

Ms. BOVBJERG. Could I jump in for a moment?

Mr. CARDIN. Yes, please do.

Ms. BOVBJERG. In 1998, when we did the work on the GPO and WEP, what we discovered is no one really knew for sure how many people should have been subject to these provisions who were not being offset because SSA did not know that they were receiving pensions from non-covered employment. We had recommended two things. One, which SSA did fairly quickly, was to go back to the Office of Personnel Management and do not only a pre-entitlement match on Federal retirees but also a post-entitlement match. They are identifying everybody on the Federal side now who receives a non-covered pension and applying these provisions. They are not able to do that with State and local retirees, and I do not think that anyone really knows to what extent SSA is making overpayments there.

Mr. CARDIN. Mr. Chairman, if I could just make one point to the Committee: if we are contemplating a change in the offset, it seems to me we should do that before you go out and change the way that the current program is being administered. I would think that you would want to get some direction from Congress.

Chairman SHAW. Yes, I understand what you are saying, but I think what I am hearing from the witnesses is that there are a lot of people who are not getting the offset who under the law should

be getting the offset, but we do not have the data in which to catch them. I think that is what you are saying.

Mr. CARDIN. That is correct.

Chairman SHAW. I think what Mr. Wilson is saying is that if we treated everybody equally, that is where he came up with his figure. So, many of these are estimates, at best.

Mr. CARDIN. My point is that rather than getting a lot of people all upset, if we are going to change the policy, it would be good for Congress to state its position before——

Chairman SHAW. I think that is absolutely right, but I think that our instructions to the SSA from Congress is that until the law is changed, enforce it. I think that has to be the message.

Mr. Collins?

Mr. COLLINS. No questions.

Chairman SHAW. Mr. Pomeroy?

Mr. POMEROY. I thank the Chairman. I must begin by a statement of surprise that the hearing where we are really learning a good bit about people on Social Security in poverty and some of them in poverty by application of a government-imposed formula that reduces benefits, the concern from the majority apparently is that we are not reducing the benefits enough and that we have got to catch some more and reduce the benefits further on a larger number of clients.

Chairman SHAW. If the gentleman will yield——

Mr. POMEROY. I yield.

Chairman SHAW. These laws were passed in a Democratic Congress, so let us not go there.

Mr. POMEROY. Reclaiming my time, Mr. Chairman, we are in this Congress, and you have advanced no proposal, and in the middle of this hearing, you talk about we have got to reduce the pensions for some others. I find that absolutely stunning, and I also find stunning the fact that we have—I have the time now, Mr. Chairman. I have the time, and I am going to keep the time.

Chairman SHAW. You are misstating the facts.

Mr. POMEROY. Mr. Chairman, I have not yielded to you, and I do not intend to. We have the Administration talking about—I beg your pardon? We have the Administration here indicating no plan, no proposal. We know that 11 percent of Social Security recipients are living in poverty. The proposals before us at least address some of that 11 percent. We have people on fixed incomes in Social Security living in poverty. No plan; no broad proposal; no little proposal; nothing. I just wish some of the zeal, some of the planning, some of the effort and some of the President's time and attention on corporate dividend taxation which disproportionately benefits the richest 1 percent of the people in this country, was directed to the people who are the bottom levels of income in this country.

[Applause.]

Do not do that. Do not do that.

Chairman SHAW. I would—excuse me, I will give you this time back. I would say to our guests that any type of clapping, cheering, jeering or anything of this nature is not provided for under the rules. I know that there are a lot of people here, and emotions are high, and I can understand it, and I appreciate it. I would ask you

to take your enthusiasm out into the hall if you feel that you have to have some type of an outburst.

Mr. POMEROY. The issue is not simple, and I think the GAO has done an interesting job of trying to put before us how all of these things interrelate. It sharpens, in my opinion, the need to look at the broader issue of people on Social Security in poverty, especially widows, especially widows of very old age. We need to do something about that. I think a place to start is to at least modify the impact of this government-imposed offset that is driving some of these widows into poverty, and so, the Jefferson bill, which would at least have some kind of income floor, so that when you impose this government-imposed offset, you at least leave them enough money to live on with some basic dignity would be a good place to start. Now, as we move from that to the broader issue of the consideration, there are all kinds of cost consequences that relate to the long-term funding of the program. I do note that the GAO states as fact on page 3 of their testimony reductions in promised benefits and/or increases in program revenues will be needed to restore the long-term solvency and sustainability of the program. That does not seem to contemplate the prospect of infusion of general fund resources into Social Security so that you could avoid benefit reductions. If we were in a position next decade to make a general fund contribution to Social Security, we could get along without either raising taxes or cutting benefits. Would that not be correct?

Ms. BOVBJERG. It would depend on how much of a contribution you made and how stable the system became as a consequence, what other things we did to——

Mr. POMEROY. I will accept that, but you acknowledge that if the general fund was in a position to move some money into Social Security, you could avoid benefit cuts. That is one of the reasons why I am so very concerned about the tax cut proposals we are considering which blow up the budget next decade and make it absolutely certain that we will not be able to move money into Social Security or avoid a benefit cut. As people look at structural deficits in our budget, they should also be forewarned that this is putting us right on a train track down to benefit cuts in the future, and the poverty in Social Security problems we have today could even get worse. I thank the Chairman.

Chairman SHAW. Ms. Tubbs Jones?

Ms. TUBBS JONES. Mr. Chairman, thank you very much. I have a couple of questions, because I am concerned, too, about this whole issue of seniors being placed in greater poverty. Is there a cost-of-living increase with Social Security for seniors?

Mr. WILSON. Yes.

Ms. TUBBS JONES. What is that cost-of-living.

Ms. BOVBJERG. It rises with the consumer price index.

Ms. TUBBS JONES. What is it currently?

Mr. WILSON. It is 1.4 percent.

Ms. TUBBS JONES. Can you tell me what the inflation rate is right now? You can answer, Mr. Kelley. Do not write notes. Answer the question. Why are you here?

Mr. KELLEY. The consumer price index is used to adjust Social Security benefits. The measuring period is the third quarter of one

year to the third quarter of the next year, and the full consumer price index increase is used to adjust Social Security benefits the following December.

Ms. TUBBS JONES. So, it is 1.4 percent? Once again, what is the inflation rate right now?

Mr. KELLEY. Well, if the inflation rate is defined as equal to the consumer price index, at least from the third quarter of last year to the third quarter of last year——

Ms. TUBBS JONES. You say if it is. I am asking you. Is it?

Mr. KELLEY. I believe that is what the consumer price index is supposed to measure the inflation rate.

Ms. TUBBS JONES. Okay; so 1.4 percent. So, you are saying to me that when the inflation rate was greater than 1.4 percent, maybe 2 years ago, that Social Security benefits increased by that amount?

Mr. KELLEY. Yes, I believe the previous year, it was 2.6 percent.

Ms. TUBBS JONES. It was 2.6 percent? What was it before that?

Mr. KELLEY. I cannot recall.

Ms. TUBBS JONES. Okay; now, the way this operates is, for example, if we use the numbers that my colleague put up there, is—let me back up. What is poverty-level income?

Mr. KELLEY. Well, the poverty level for a person who is age 65 in 2002, is $8,628.

Ms. TUBBS JONES. Now, if I am 25, what is the poverty level rate?

Mr. KELLEY. I do not have that figure with me.

Ms. TUBBS JONES. It is different if I am 65 or 25?

Mr. KELLEY. It is based on the standards that the U.S. Census Bureau uses.

Ms. TUBBS JONES. So, if I am 25, and I am paying $2.50 for a gallon of gasoline, and I am 65 and paying $2.50 for a gallon of gasoline, there is no adjustment there.

Mr. KELLEY. Well, I am not sure why the poverty level is different, but I am pretty sure it is different for the 25-year-old versus the 65-year-old.

Ms. TUBBS JONES. Perhaps that is something that we need to look at, as well, as we start to talk about retirement and the benefit or the dilemma in putting people in retirement—if I am considered at 65 not to have the same value. Let me ask you—I am still a little confused on this. Let me, for the record, before I go there, say that I am adamantly opposed to mandatory participation in Social Security for those who choose not to participate in Social Security, and they are in a plan for whatever that is worth. Let us look again at this $1,000 chart here, assuming $1,000. Even if there were a repeal of the GPO, and I got $1,700 a month, let us multiply that by 12. Where would I be in the poverty level or what we consider poverty level in government?

Mr. KELLEY. You would certainly be above it.

Ms. TUBBS JONES. How much?

Mr. KELLEY. Well, I can do the math here. It is about $18,000 or so and——

Ms. TUBBS JONES. Poverty level, again, is how much?

Mr. KELLEY. It is $8,000.

Ms. TUBBS JONES. Okay, $8,000. Out of that $8,000, I have to pay my rent, do whatever else I have to do. Are you considering in all of this process, in this change of Social Security, the fact that there are senior citizens on a Medicare government program that does not provide prescription drug benefit; are in an even greater dilemma after their spouse dies? It does not mean they need any less prescriptions because their spouse died, right?

Mr. KELLEY. Right.

Ms. TUBBS JONES. So, the spousal income helped to pay some of that prescription drug benefit; fair? Mr. Wilson, you are looking kind of confused. What I am trying to say is that we as a government need to have policies that work together, meaning that if I am in a retirement income, and you are not giving me any prescription drug benefit, then I ought to have the money from the money I made; you ought to give me all of my money that I made so I can perhaps cover the prescription drug benefit that I did not get. Are you with me, Mr. Wilson?

Mr. WILSON. I was following you.

Ms. TUBBS JONES. Okay; you had a bit of a confusing look on your face, so I just wanted to make sure we were staying together. The bottom line is that I am with my colleagues that, in fact, we need to study the impact any changes are going to have on people before we make a change. We need to look at, perhaps, that we are not even giving people with the Social Security that they are getting the ability to survive in the current economic environment. We need to take a look at—let me ask this question: where do the dollars—say I am in a private Social Security fund—am I out of time? I guess I am out of time. I really wanted to ask this question. If you can give me——

Chairman SHAW. You are on a roll. I will give you another minute.

Ms. TUBBS JONES. Thank you, Mr. Chairman.

[Laughter.]

I appreciate it. I am in a private pension plan, right? Additionally, I have dual entitlement, okay? If I am in a private pension plan, and I have a spouse who is in Social Security; I have dual entitlement, right?

Ms. BOVBJERG. You are in Social Security, too? Because you are in a private plan.

Ms. TUBBS JONES. I am in Social Security, too, right. When I do not get the money that I paid into the plan, it goes to other people to keep the fund going. Is that a fair statement with the offset—with the dual entitlement; I am sorry.

Ms. BOVBJERG. Yes; Social Security is essentially an intergenerational transfer. So, anything that you are contributing today as a worker is immediately being used to pay for benefits of current retirees.

Ms. TUBBS JONES. So, in essence, then, I do not have a pot that I have been paying into that over time is there that is mine?

Ms. BOVBJERG. You are earning credits as a participant in Social Security. It is not like a 401(k), though, where you make contributions, and they accumulate in a fund.

Ms. TUBBS JONES. You know what, Mr. Chairman, I would like to pursue this line of questioning, but it is probably going to take

too long for me to get an answer. I thank you for giving me an opportunity to answer these questions, and I will submit some written questions to you to get an answer, and I thank you for coming. Also, Mr. Chairman, one last thing, if you will allow me. There is going to be a witness from Ohio in the next panel. I do not know that I am going to get a chance to hear all of her testimony, but I would like to welcome her to our Committee and thank her for coming.

Chairman SHAW. It is done. I am going to yield 2 minutes of my time to Mr. Brady, and then, I have one line of questions for the witness.

Mr. BRADY. Thank you, Mr. Chairman, for holding this hearing. I know GPO and WEP have been around for almost a quarter of a century, and I appreciate your taking a leadership role in a first step here today. I agree with Congresswoman Tubbs Jones that Social Security does not pay enough. A lot of people are struggling. I think one of the bipartisan goals of this Committee should be to increase the Social Security and retirement rate for everybody. We had another myth that just got perpetuated, and the myth is that there are more people on government retirement pension in poverty than are affected by Social Security. It is just the opposite. According to the written testimony that both of you provided us today, nearly 15 percent of those on Social Security and in Social Security families are below the poverty level, but in government pension, only 5 percent are below that poverty level. So, if we increase the gap between Social Security families and identical government pension families, we have helped a small number on poverty, but we have left behind the greatest number of Americans who are struggling on Social Security. So, it seems to me—I actually agree with Stephanie on this as well—government pension plans should not look more like Social Security. Social Security should look more like government pension plans so that we could increase the rate of return for all of the people in their retirement age. Mr. Chairman?

Chairman SHAW. Thank you, and I think you make a good point here. My final question is that most of those testifying on the next panel, and some of the questioning occurring here, raises another interesting question, because they are urging the repeal of the GPO, saying it is unfair. If it is unfair to reduce spouse benefits for those who do not pay Social Security, then I think logic—and I think everyone else in this room—would have to say that it is also unfair to reduce spousal benefits for workers who do pay Social Security taxes, since these workers—husbands and wives—earn spousal benefits just like the husbands and wives of public employees. What would be the effect of Social Security's long-standing term deficit and the trust funds if what they were asking for was applied to the entire population, including people who have paid Social Security? Mr. Wilson?

Mr. WILSON. Yes, Mr. Chairman; the estimated 5-year cost would be about $500 billion to eliminate the dual entitlement.

Chairman SHAW. It would be $500 billion for how long?

Mr. WILSON. Over 5 years.

Chairman SHAW. Do you have anything to add to that?

Ms. BOVBJERG. I do not have numbers on that with me. That is a large number; it reflects 6 million people who are dually-entitled now, and when you go out further into the future, that number continues to grow.

Chairman SHAW. The problem becomes very, very clear. If it is unfair for one group, it is unfair for another group. When we look at Mr. Brady's chart down there, we see that the people who are not in the Social Security program—and I think it is important to note here that the offset does not apply to general public employees. It applies to general public employees who are not part of the Social Security system and who do not pay into Social Security. So, I think that is very important to realize, because when we talk about workers who are affected by this, they are not being singled out because they are public employees or school teachers or police officers. They are being treated the way they are being treated because they have not paid into the system. Mr. Collins, did you have something? You did not ask any questions.

Mr. COLLINS. Just one comment, Mr. Chairman. I think there is another myth here, too, and that is that Social Security is a retirement program. Social Security is an insurance program to supplement the income of those who reach retirement. That is the only supplement that I have, because I do not participate in the Congressional pension plan, nor do I work for or have formed a company that I participate in. I am very much interested in Social Security, and I want to see it treated fair, the recipients treated fair. It is a pay-as-you-go system. The workers who are providing the benefits, the tax for the benefits, should be treated fairly, and I do think we have to find out exactly how many people this does pertain to before you can begin a process to determine what is fair for all. We are not talking about something that you just go out and pick up out of the field or off of a tree. You are talking about money that comes from the earnings of every worker in this country. As far as this tax bill that people keep throwing up, this tax bill is to help 92 million working Americans with the income tax that they pay. It is a very worthwhile tax bill. The provision dealing with the double-taxation of stock dividends, again, is a fairness issue, and it is a way that we can help make our work force and this Nation more competitive in the world market with industrialized nations who do not double-tax the stock dividends; who treat investors far different which also pertains to their competitiveness as far as their work force versus our work force. If we do not concentrate and work toward the workers in this country and the benefits that they pay, the costs that they pay, the benefits that they receive, we are not doing a just cause. Thank you, Mr. Chairman.

[Question submitted from Chairman Shaw to Ms. Bovbjerg, and her response follows:]

Question: When GAO examined the websites of various organizations for your report on the GPO last-day-rule (also known as the GPO "loophole"), did you find information provided on the GPO and WEP to be accurate? If not, what kind of misinformation was prevalent?

Answer: Pursuant to your May 14, 2003, request, here is additional information on the Web sites that we reviewed in the course of our work for you on the Government Pension Offset "loophole." Generally, the limited number of teaching association, retirement plan, and financial planning Web sites that we reviewed presented

a mix of accurate, inaccurate, and/or incomplete information on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). Some Web sites contained information that did not present the GPO and WEP in their full context, which allowed them to dramatize and misconstrue their effects. Such Web sites' presentation of specific guidance on using the "last-day" GPO exemption was generally accurate, however. Examples and excerpts from selected Web sites follow below.

Sites that presented inaccurate and/or incomplete information on the GPO and WEP sometimes dramatized the effects of these offset provisions. For example, a teaching association's site referred to the GPO and WEP as "*a nasty surprise*" awaiting many retiring teachers and other education employees. This particular site said

> "*. . . instead of honoring public service, both of these provisions* [GPO and WEP] *harshly and unjustifiably punish individuals such as Texas school employees who have earned public-sector pensions . . .*" and that "*. . . recipients of private pensions* [who also paid into Social Security] *are not subject to the same penalty.*" Moreover, the site stated, "*. . . this punitive and inequitable provision targets hundreds of teachers, police officers, firefighters, and other public servants . . .*" and "*These folks . . . are thus pushed to live at or even below the poverty level.*"

As you know, the GPO and WEP exist because of concerns about unfair benefit advantages that accrued to non-covered government workers. Therefore, generalized "blanket" comparisons of offsets applicable to employees in covered and non-covered employment, as made in the above site, are inaccurate. Social Security benefits are generally payable to the spouses of retired, disabled, or deceased workers covered by Social Security. The above statement does not take into account the "dual entitlement" rule that affects individuals who worked in the private sector and also paid into Social Security. In these cases, if both spouses worked and are eligible for Social Security, the Social Security benefits earned as a worker are subtracted from the Social Security spousal benefit.

Web sites that presented "how-to" guidance to individuals on use of the GPO last-day exemption appeared to provide this limited information accurately. For example, a teaching association's site contained an explanation of the GPO "loophole" and listed the names and telephone numbers of school officials in counties covered by Social Security.

This particular site stated

> *"[We have] received many inquiries about the loophole that allows some school employees to receive the full amount of both their TRS [Teacher Retirement System of Texas] pension and their Social Security benefit. Most Texas school employees do not participate in Social Security, so according to federal law, the amount of any Social Security benefit to which they are entitled is reduced or eliminated by the amount of their TRS benefit. . . . [We have] become aware of some school districts that participate in both TRS and Social Security facilitating the use of this loophole by agreeing to hire employees for one day to allow the employee to become exempt from the Social Security offset. A list of Texas school districts participating in Social Security is available on [our] website."*

Although the method to use the GPO "loophole" is presented accurately in the above excerpt, its phrase "*. . . the amount of any Social Security benefit to which they are entitled is reduced or* ***eliminated*** [emphasis added] *by the amount of their TRS benefit . . .*" does not recognize that the GPO is a two-thirds and not a full offset.

Chairman SHAW. Thank you. Ms. Bovbjerg, Mr. Wilson, we thank you for your testimony, and I also thank the audience for limiting their participation.

[Laughter.]

Mr. WILSON. Thank you, Mr. Chairman.

Chairman SHAW. We now have our next panel. Excuse me. We have Mr. Jefferson. Mr. Jefferson from Louisiana has been a long fighter in this area, and I might say that in my Social Security Reform Act, I have adopted some of his views with regard to the GPO.

Your full statement will be made a part of the record, and you may proceed.

STATEMENT OF THE HONORABLE WILLIAM J. JEFFERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. JEFFERSON. Thank you, Mr. Chairman, Mr. Matsui and other Members of the Committee. I appreciate the opportunity to speak to you briefly about the GPO. The efforts that I have made in this arena do not have to do with repealing the GPO in its entirety. It has to do more properly with reforming the GPO so that it is not so harsh in its effect on the lower income workers in the country, public income workers who do not make a lot of money. There are lots of presumptions that are made with respect to the GPO which justifies its inclusion in the law. You remember how this whole thing came up. The Social Security system was established as it was with the offsets that have been talked about by Mr. Brady and others for folks who have two persons in their family, both who receive Social Security benefits. The system made a judgment early on that it did not see the need to have a spouse eligible for the benefits of his or her deceased spouse; therefore, the system made that judgment. It also provided that people could opt out of the system if they decide to, and they would not, therefore, be affected by the rules of the Social Security system, so people made that decision in some cases and opted out. In that event, there was no offset provided for people who were in the other systems.

That was because there was a rule of dependency in the law back then that required that in the case of a man who was a recipient, he had to prove dependency. In the case of a woman, she did not and could receive the benefits. That is how the system was put together back at its inception. The U.S. Supreme Court ruled that it was improper to require that a man prove dependency, not a woman, and therefore, it brought up this new issue about what to do about people who had opted out, as the system rules provided, and who found themselves now able to receive their wife's benefits. So, the system worried that it would be too expensive, that men who are working in highly-paying jobs in the government would receive windfalls, if you will, that they did not deserve and therefore result in some unfairnesses. What it did not really take into account was that the pension systems outside of the Federal Government were fairly modest and that women were working at jobs that were very low-paying jobs outside of the Federal Government system.

What we have now is a system that has an unfairness built into it by the nature of the work force that it affects. For someone who makes a high income, for two people who make high incomes, there is hardly—while it is somewhat arguably unfair for them to have an offset in the Social Security system dollar-for-dollar, the effect of what we do here is much more harsh when you have people who work as firemen and policemen and teachers and teachers' aides and librarians and cafeteria workers when they find out that after their husbands pass away that they will have that benefit they expected reduced by two-thirds, and they have very little expecting to come in to them. The object is not to repeal the offset altogether

but to take care of those workers who are the most distressed and who are treated the most harshly under these provisions. There is no large pension involved for these people. There is no large windfall that the government is going to give up for them if they are able to receive their benefits. These are just questions of survival for these people.

I have examples. I will just read you one, if I could, from a lady who works at the sheriff's office down in Jefferson Parish, which is a part of the State that I represent in addition to New Orleans. She writes: I get a small pension from the Jefferson Parish Sheriff's Office, $473 a month. Because my Social Security check is offset by half, I should receive close to $500 a month that I put in many years of my life for, and it is cut to $243 a month. I would appreciate whatever you can do about this, and I hope that someone will change the other offset also. When I paid my personal Social Security, they grabbed it, she says. When it comes to getting it back, it is another story. That is the problem ordinary people have with this. Here is a lady who, because of the offset, is going to get, instead of $973 is going to get some figure that is around $500, which is extremely hurtful to her. So, as we talk about all of these great expansive notions here, it is important to think about the people who are affected. Our objective here is not to take care of the high-paid government workers and to put money in their pockets; it is to take care of people who are in the worst conditions, I think, who are suffering the most. It is not to means-test Social Security at all. It is no more than to work a different reform than was worked earlier. You will remember that after Goldfarb, there was a dollar-for-dollar offset just like for Social Security, but when the results came in, those who were in the Congress then considered the results too harsh and changed it to a two-thirds offset.

So, if that were not the case, it would be dollar-for-dollar. Now, we are looking at it again, and we are saying two-thirds is too harsh. Let us do something different about it. So, we are proposing a reform that takes care of some of the harsh results that no one intended but which nonetheless befall the low income workers. My statement goes into more detail, Mr. Chairman, but that is the essence of what we are trying to do here: not to means-test but to make sure that the people who are at the lowest end of the totem pole here get some help, get some relief, and are not so harshly affected by the rules.

[The prepared statement of Mr. Jefferson follows:]

Statement of the Honorable William J. Jefferson, a Representative in Congress from the State of Louisiana

Mr. Chairman, I am pleased to testify on my GPO reform legislation, H.R. 887. As you know, my approach is not to repeal the GPO, but to lessen the harsh impact it currently has on low-income seniors.

Pension Offset is an important issue to me and to many of my Democratic and Republican colleagues. It is an important issue for my constituents in Louisiana and it is an important issue for many state and local government employees across the nation.

As you are aware, state and local government employees were excluded from Social Security coverage when the Social Security System was first established in 1935. These employees were later given the option to enroll in the Social Security System and in the 1960's and 1970's many public employees opted to join in.

Some local governments chose to remain out of the system. Their employees and spouses planned for retirement according to the rules in effect. It is estimated that about 4.9 million state and local government employees are not covered by Social Security. Seven states (California, Colorado, Illinois, Louisiana, Massachusetts, Ohio and Texas) account for over 75 percent of non-covered payroll.

The Pension Offset will unfairly affect many of the state and local government employees that are covered by government pension.

As you may be aware, the Pension Offset was originally enacted in response to the perceived abuses to the Social Security system resulting from the *Goldfarb* decision.

The Social Security System provides that if a spouse who worked and paid into Social Security died, the benefits were to be paid to the surviving spouse as a survivor benefit. Men were required to prove dependency on their spouses before they became eligible for Social Security survivor benefits. There was no such requirement for women.

The *Goldfarb* decision eliminated the different treatment of men and women. The court instead required Social Security to treat men and women equally by paying benefits to either spouse without regard to dependency.

Many of the men who would benefit from the *Goldfarb* decision were also receiving large government pensions. It was believed that these retirees would bankrupt the system, receiving large government and private pensions in addition to survivor benefits.

To combat this perceived problem, Pension Offset legislation was enacted in 1977. The legislation provided for a dollar for dollar reduction of Social Security benefits to spouses or retiring spouses who received earned benefits from a federal, state or local retirement system. The Pension Offset provisions can affect any retiree who receives a civil service pension and Social Security but primarily affects widows or widowers eligible for survivor benefits.

In 1983, the Pension Offset was reduced to two-thirds of the public employer survivor benefit. It was believed that the impact of the Pension Offset was too harsh and that one-third of the pension was equivalent to the pension available in the private sector.

The Pension Offset aimed at high paid government employees also applies to public service employees who generally receive lower pension benefits. These public service employees include secretaries, school cafeteria workers, teachers' aides and other low wage government employees. **The Pension Offset as applied to this group is punitive, unfairly harsh and bad policy.**

Government pensions were tailored to produce benefits that were equal to many combined private pension-Social Security benefits in the private sector for upper level government workers. However, this was not true for lower income workers such as employees who worked as secretaries, school cafeteria workers, teachers' aides and others who generally receive lower pension benefits.

To illustrate the harsh impact of the Pension Offset, consider a widow who retired from the federal government and receives a civil service annuity of $550 monthly. The full widow's benefit is $385. The current Pension Offset law reduces the widow's benefit to $19 a month (2/3 of the $550 civil service annuity is $367, which is then subtracted from the $385 widow's benefit, leaving only $19). The retired worker receives $569 ($550 + $19) per month.

Proponents of the Pension Offset claim that the offset is justified because Survivor benefits were intended to be in lieu of pensions. However, were this logic followed across the board, then people with private pension benefits would also be subject to the offset. But that is not the case.

While Social Security benefits of spouses or surviving spouses earning government pensions are reduced by $2 for every $3 earned, Social Security benefits of spouses or surviving spouses earning private pensions are not subject to offset at all.

If retirees on private pensions do not have Social Security benefits subject to offset, why should retirees who worked in the public service?

The Pension Offset has created a problem that cries out for reform. It will cause tens of thousands of retired government employees, including many former paraprofessionals, custodians or lunch room workers, to live their retirement years at or near the poverty level.

My office has received numerous calls, all from widows, who are just getting by and desperately need some relief from the Pension Offset. For example: (Attach testimony)

The following is a letter we received from Helen J. Emery from Fair Oaks, California.

I am a 68 year old and worked 27 years for the Government. My government retirement monthly after deductions is a "very" modest $988.69. I am sure you know

this is just a fraction above poverty level. The "windfall" benefits law reduced my Social Security benefits and only allows me an additional $116.00 per month even though I alone paid into this Social Security prior to working for the Government.

Effective January 1998, I became a divorced widow and the "offset" affecting my $724.80 widows Social Security benefits brings my widow's benefits to zero.

I am hoping and praying that you will continue to fight this very unjust "offset" law.

Millard J. Downing from stWallingford, PA wrote:

I am retired from the Agency for International Development with a $12,000.00 a year annuity and through employment outside of federal service have become eligible for Social Security, age 62. Upon visiting my local Social Security Office I was advised that normally I would be eligible for $425.00 month. However, due to the present Pension Offset and being a federal annuitant, my Social Security annuity will be reduced to approximately $207.00 month. I do not consider this reduction as being a fair game when all deductions for above were made while being employed outside of federal service.

Patricia C. Cook from Metaire, LA wrote.

I get a small pension from the Jefferson Parish Sheriff's Office ($473.00) and because of this my Soc. Sec. Check is offset by half. I should receive close to $500.00 a month that I put in many years of my life for and it is cut to $243.00. I would appreciate whatever you can do about this and I hope someone will change the other offset also. When I paid my personal Soc. Sec. they grabbed; but when it comes to getting it back, its another story.

During the 107th Congress, I introduced the Government Pension Offset Repeal Bill, H.R. 1217. I have re-introduced this important legislation in the 108th Congress as H.R. 887.

The legislation, does not completely repeal the Pension Offset, but provides a modification to a complete repeal. It will allow pensioners and widows affected by Pension Offset provisions to receive a minimum $2,000 per month before offset provisions could be imposed. The bill has 109-recorded cosponsors.

Mr. Chairman, I urge my colleagues to adopt this important legislation.

Chairman SHAW. There is certainly precedent for that in the Social Security law right now, as low-income people do get a better return. Any questions?

Ms. TUBBS JONES. Mr. Chairman, very briefly: Mr. Jefferson, thank you for your leadership on this issue. When Mr. Kelley walked out the door, this is the question I should have asked him. I asked him in order to get a $1,000 monthly benefit from Social Security, how much money did you have to make annually? His response was $36,000. So, many workers out in our world are not even making $36,000. So, even if they were taking the woman that wrote in to you, her example, even if she worked a job that should have kept her above the poverty level during her lifetime, if you take her example with the $600, the reduction, she is getting $7,200 a year, which is below poverty level, or even without the GPO, she is only about 20 percent above poverty level with all the money she is getting. So, I clearly think your leadership on this issue is a wonderful, wonderful thing, and I thank you for testifying before the Committee.

Chairman SHAW. Mr. Matsui?

Mr. MATSUI. Thank you very much, Mr. Chairman. I want to thank you, Bill, for your work on all this over the years. It has been tremendous, and we really appreciate the fact that we are at this point now in this whole discussion. You were here when the Administration testified. The impression I had was that they are going to ratchet up the enforcement of this issue, so instead of trying to work something out, they are going to probably add another

100,000 people that will be subject to the GPO and WEP. What are your thoughts on that?

Mr. JEFFERSON. Well, that will just exacerbate the problem that we are talking about here. I suppose most folks have already been discovered by them. There are lots of folks out there who talk to me who do not think that the government is letting them get away with anything and who, frankly, are very depressed over the situation, and many of them did not expect it. Now that we have talked a lot about this legislation, people are becoming more and more aware of it, and they are calling in and talking about it. This is not designed to inspire the SSA to go out and do an even better job of making it difficult for people. We are hoping that what they will do is be spurred on to reform the system, given that people out there are suffering who we did not intend to have them suffer. I think that the important message here is that when the Congress put this in place, they were looking at the high-income people. They never thought, I do not believe, that they would have this kind of bad effect on people who do not make much money. These people happen to be public servants, in most cases, who are low-paid public servants. These are the folks—this is aimed at trying to fix the problem for them, and I hope that Congress will have the heart to correct it for these people. I know that it costs a lot of money to correct the whole system. We are not asking for that. We are trying to do something that will affect about 400,000 people across the country who are in dire need of this result. I want to thank the Chairman for holding the hearing, and I also want to thank him for including at least a skeletal beginning of some of the things that we have talked about here, and I hope that we will build on that skeleton to actually put some real meat on it to help us reach the result we are looking for. I do appreciate the chance to have this matter aired, and I do hope that we will make some progress on it.

Chairman SHAW. Thank you, Mr. Jefferson. It is always a pleasure to work with you. You are always intelligent, and you are always a gentleman. Thank you.

Mr. JEFFERSON. Thank you, Mr. Chairman. Thank you, Mr. Matsui.

Chairman SHAW. Our final panel is made up of several witnesses: Charles Fallis, who is the President of the National Association of Retired Federal Employees (NARFE); Annette Williams, who is a retiree of the City of Los Angeles, California, a member of the American Federation of State, County and Municipal Employees; Donna Haschke, who is President of the Texas State Teachers Association on behalf of the National Education Association; William Johnson, the Executive Director of the National Association of Police Organizations; Chuck Canterbury, who is the National President of the Fraternal Order of Police; and Terri Harrison, who is the Chairman of the Coalition to Preserve Retirement Security from Columbus, Ohio. Welcome to all of you. We do have your statements that will be made a part of the record, and you may proceed as you see fit. I will do my best to enforce the 5-minute rule. Mr. Fallis? We are going to have to pull these microphones down. We are going from my left to right or your right to

your left, so if we could get this down here, we can proceed. Mr. Fallis, please? Welcome.

STATEMENT OF CHARLES L. FALLIS, NATIONAL PRESIDENT, NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES, ALEXANDRIA, VIRGINIA

Mr. FALLIS. Mr. Chairman, Members of the Subcommittee, I am Charles Fallis, President of NARFE, and I am here today testifying for our 400,000 members. Let me commend you, Mr. Chairman, for once again stepping up to the challenge by holding hearings on Social Security provisions affecting public employees. For NARFE, it is the offsets that affect them—GPO and WEP. For years, NARFE has worked for the revision of GPO and WEP, because these insidious laws have denied many of our retired members, particularly women, the economic dignity that they were led to expect would be theirs when they retired. Mr. Chairman and Members of this Committee, I know as I am sure most of you do that the harshness of GPO and WEP causes both fears and tears among hundreds of thousands of older Americans. They fear for their financial future, and they shed bitter tears of frustration that Congress has not acted to reform these provisions despite widespread support for doing so. Today, over 300 Members of this 108th Congress have already indicated their support for changes in GPO and WEP by cosponsoring one or more of the pending bills. Mr. Chairman, your own Social Security reform bill proposes to reduce the current two-thirds offset to one-third. Almost 3 years ago at a hearing on GPO before this Subcommittee, Ms. Ruth Pickard, a long-time NARFE member and a constituent of yours, Mr. Chairman, testified as an affected witness. Before her retirement, she had worked 24 years in the U.S. Postal Service and 24 years in the private sector while raising children and trying to make ends meet.

Because of GPO and WEP, Ruth had to go back to work. Today, at age 76, she is still working, because she cannot afford to stop. To add insult to injury, she pays Social Security taxes on the wages she earns despite the fact that she will never reap the benefits of those payments because of WEP. The GPO prevents her from getting any spousal benefit, because two-thirds of her civil service annuity totally eliminates that benefit. She is eligible for her own Social Security benefit, but even that earned benefit is slashed because she is also affected by WEP. Since its enactment during the Great Depression, the Social Security system has been modified time and time again to respond to specific economic and social needs of the Nation, and I believe it is imperative that we make additional changes now. Restoring earned income to victim retirees would bring them the dignity of self-support and, at the same time, strengthen this country's economy. Is this not consistent with the tax break proposals the President is now requesting of Congress? In his radio address last Saturday, the President eloquently stated, and I quote, "America's greatest economic strength is the pride, the skill and the productivity of American workers." Mr. Chairman, he is absolutely right. Our workers certainly do continue to support and strengthen our Nation's economy just as does 76-year-old Ruth Pickard. Ruth continues to work, even though these heinous offsets debilitate her efforts to contribute significantly. If she and others

like her are ever to feel vindicated, these punitive offsets must be repealed.

Mr. Chairman, you stated in your hearing advisory, and I quote, "the hard work and dedication of teachers, police officers, firefighters and other public employees and all workers is deeply appreciated by our Nation. Everyone, public and private sector workers alike, deserves fair treatment under Social Security." I could not agree more. I firmly believe that fair treatment can only be assured through changes in GPO and WEP. The NARFE stands ready to work with you and the Members of this Committee, this Subcommittee, to find an acceptable solution to this growing dilemma. Please, let us solve the problem, and let us solve it this year. Thank you, Mr. Chairman.

[The prepared statement of Mr. Fallis follows:]

Statement of Charles L. Fallis, National President, National Association of Retired Federal Employees, Alexandria, Virginia

Mr. Chairman and Members of the Subcommittee, I am Charles L. Fallis, President of NARFE, the National Association of Retired Federal Employees. I am testifying today on behalf of our 400,000 members.

Let me commend you, Chairman Shaw, for once again stepping up to the challenge, by holding hearings on "Social Security Provisions Affecting Public Employees." For NARFE, it is the Social Security offsets which affect our members, the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). Each year, more and more individuals are finding themselves affected by these onerous offsets. And each year, more and more Members of Congress have recognized the need for changing them. And now is the time to do it. I hope that today's hearings lead to enactment of change before the end of this year.

For years, NARFE has worked for revision of the GPO and the WEP, which have denied many of our retired members, particularly women, the economic dignity they were led to expect in retirement. So I appreciate your invitation to appear here today to reiterate NARFE's call for change and to urge this panel's immediate action for repeal of these insidious laws.

Present GPO law prevents government retirees who were first eligible to retire in December 1982 and later from collecting both a government annuity based on their own work *and* Social Security benefits based on their spouse's work record.

This law provides that two-thirds of the government annuity offsets whatever Social Security benefits would be payable to the retired government worker as a spouse (wife, husband, widow, widower, etc.).

By the Social Security Administration's own account, the use of two-thirds of the public retirement income, as offset against the Social Security income, was an arbitrary decision. As such, we believe it can and should be reexamined and repealed.

Of the approximately 335,000 GPO-affected beneficiaries, about 80 percent are fully offset, which means they receive no spousal or survivor benefit at all. It is worth noting that about 40 percent of the total number of affected beneficiaries are widowed individuals, and roughly seventy percent of that number are fully offset. And, I think it is crucial to recognize that almost 70 percent of the victims are poor women.

The current WEP greatly reduces the Social Security benefit of a retired or disabled worker who also receives a government annuity based on his/her ***own*** earnings. It applies to anyone who becomes 62 (or disabled) after 1985 ***and*** becomes eligible for her/his government annuity after 1985. This windfall reduction can diminish a worker's earned Social Security benefit by as much as 60 percent. Today that is a loss of up to $303 per month.

Mr. Chairman, and Members of this Committee, I know—as I'm sure most of you do—that the harshness of the GPO and the WEP, as they exist today, causes both fears and tears among hundreds of thousands of older Americans. They fear for their financial future, and they shed bitter tears of frustration that Congress has not acted to reform these provisions despite widespread support for doing so.

There are several bills pending before this Congress which would offer relief to the hundreds of thousands of former teachers, cafeteria workers, postal workers, VA nurses, Social Security employees, and others who worked long and hard to help support their families. Over 300 Members of this 108th Congress have already indicated their support for change in the GPO and the WEP by cosponsoring one or

more of the pending bills. Mr. Chairman, your own Social Security reform bill proposes to reduce the current two-thirds GPO offset to one-third. Obviously, you are well aware of the need for change, and I believe a majority of your colleagues now agree with you.

Almost three years ago, at a hearing on the GPO before this Subcommittee, Mrs. Ruth Pickard, a longtime NARFE member and a constituent of yours, Chairman Shaw, testified as an affected witness. She spoke of working twenty-four (24) years in the U.S. Postal Service and twenty-four (24) years in the private sector while raising her children and trying to make ends meet. Because of the GPO, Ruth had to go back to work. Today, at age 76, she is still working because she cannot afford to stop. And, to add insult to injury, she has to pay Social Security taxes on the wages she is earning, although she stands no chance of reaping any benefit from those tax payments.

The current GPO prevents her from getting any spousal benefit because two-thirds (2/3) of the amount of her civil service annuity totally eliminates that Social Security benefit. She is eligible for her own Social Security benefit, but even that earned benefit is slashed, because of the WEP which also affects her.

Mr. Chairman, not long before the Easter/Passover recess, the House adopted a bill from this Subcommittee which, among other things, effectively closed a loophole in the GPO which had allowed some individuals to legitimately escape the loss of Social Security spousal benefits by working just one last day of their careers under Social Security covered employment. I contend that had this unfair offset been reviewed and revised earlier, the machinations of the “last-day rule” would not have been necessary. If the law had been fair in the first place, the loophole would not have been needed.

Since its enactment during the Great Depression, the Social Security system has been modified time and again to respond to specific economic and social needs of the nation. Surely, it will continue to face and endure serious changes and challenges in the years ahead. None of us can predict today what changes will be necessary to keep this program fiscally sound for the next seventy-five years. And, we will not be around to share the benefit or the blame. But we are here right now, and we know that some change is needed. I believe that it is imperative that we make additional changes now.

Social Security Administration actuaries have determined that the repeal of the GPO and the WEP would increase the size of the OASDI actuarial deficit by an amount estimated at 0.11 percent of taxable payroll. This amount is not negligible; but returning this income to these victimized retirees would provide them with increased purchasing power. It would allow them the dignity to support themselves and at the same time strengthen this country’s economy. Isn’t this consistent with tax breaks the President now is requesting of Congress?

In his radio address to the Nation this past Saturday, the President eloquently stated, “. . . America’s greatest economic strength is the pride, the skill, and the productivity of American workers.” Mr. Chairman, he is absolutely right. NARFE members, along with other federal, state, and local government retirees and employees in this country are the proud, skilled, and productive American workers of yesterday and today. They continue to support and strengthen our nation’s economy just as does 76-year-old Ruth Pickard, who continues to work, even though these heinous offsets debilitate her efforts to significantly contribute. If Ruth and others like her are ever to feel vindicated, these punitive offsets must be repealed.

Mr. Chairman, you stated in your hearing advisory “The hard work and dedication of teachers, police officers, firefighters, other public employees and all workers is deeply appreciated by our nation. Everyone, public and private sector workers alike, deserves fair treatment under Social Security.” I couldn’t agree more. And I firmly believe that fair treatment can only be assured through changes in the GPO and the WEP. I contend that repeal of these offsets would be ideal. But change is essential and can no longer be put off. We must get legislation reported out and onto the floor of the House to allow Members of Congress to debate and decide this issue.

NARFE stands ready to work with you and the Members of this Subcommittee to find an acceptable solution to this growing dilemma of the Social Security System. Please, let’s solve the problem this year.

Chairman SHAW. Ms. Williams?

STATEMENT OF ANNETTE WILLIAMS, ON BEHALF OF AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, AMERICAN FEDERATION OF LABOR–CONGRESS OF INDUSTRIAL ORGANIZATIONS

Ms. WILLIAMS. Mr. Chairman and Members of the Subcommittee, good morning. My name is Annette Williams, and I retired only a few weeks ago at age 58 from my job as a clerical worker employed by the City of Los Angeles. I am here today representing my union, American Federation of State, County, and Municipal Employees (AFSCME), and the thousands of AFSCME members who work in jobs not covered by Social Security. I would like to begin by saying that I think Social Security is a wonderful insurance program. My husband was covered by Social Security when he passed away over 20 years ago. At the time I was widowed, three of my four children were minors and still living at home. All three received Social Security benefits based on my husband's work record. Those benefits helped our family maintain a decent standard of living despite the loss of our primary breadwinner. Only now has Social Security let us down. I never knew about the GPO until recently, when I began to explore my retirement options. I always thought I would be able to collect a widow's benefit when I reached the eligible age. I am sure my husband believed that too. With every contribution from his paycheck, I know he felt he was providing for my future. Clearly, that is not the case. Instead, I will be forced to offset my city pension against my Social Security widow's benefit. Two-thirds of my $1,300 pension will completely eliminate my widow's benefit of $812 a month.

I know that Social Security's dual entitlement rule is often cited as justification for the GPO. The dual entitlement rule says that a person can receive their own earned Social Security benefit or a spousal benefit, whichever is higher, but not both. The GPO law essentially applies this rule to two-thirds of my pension, which is considered to be equivalent to a Social Security benefit. This logic seems questionable, however. Here is why. As a city employee, I contributed the same amount to my pension as private sector workers contribute to Social Security. My employer's contribution was substantial, as high as 16.5 percent of payroll. In the private sector, however, most workers do not contribute to their pension plans. Those plans are financed entirely by the employers. The workers contribute only to Social Security. When those workers retire, they not only collect their full pension but also full Social Security benefits, which are based on their own record or that of their spouse. These retirees are not subject to any penalty or offset based on their pension amount, even though they contributed no more to their combined Social Security and pension than I did. To add insult to injury, not only am I penalized by the GPO, but I am also affected by the so-called WEP. From 1966 to 1983, I worked as a checker at Safeway market and had other jobs that required me to pay into Social Security. Since I also worked in public employment, however, I will not get the full benefit to which I am entitled. To get a full benefit, I will have to work many more years in covered employment. Until I discovered the GPO and the WEP, retirement seemed like such a nice idea.

[Laughter.]

Now, faced with a double-whammy, my real retirement is on hold. I will be forced to keep working for the foreseeable future, and it hardly seems fair. These laws need to be changed. The most aggrieved victims are women like me: average people with relatively small pensions. We tend to live longer than men and often outlive our resources. Far too many of us end life in poverty. The GPO and the WEP are contributing to this catastrophe. So, I am urging the Subcommittee to take a serious look at legislation that will reform the GPO and the WEP and help make Social Security fair to public employees like me. Please, do not think you can solve this problem by requiring all public jurisdictions to join the Social Security system. The AFSCME's research shows how costly this would be for States and cities and how dangerous for public pension plans. The AFSCME is a member of the Coalition to Preserve Retirement Security (CPRS), which is also providing testimony today. The Coalition's views on mandatory coverage reflect AFSCME's views, so I will leave it to CPRS to make our case. Please note, however, that AFSCME has supplied written testimony to the Subcommittee that explains our opposition to mandatory Social Security coverage in the public sector. In closing, I would like to thank the Subcommittee for inviting me here today and once again urge you to take action on the GPO and WEP. Thousands of public retirees all across the country are counting on your support. Thank you.

[The prepared statement of Ms. Williams follows:]

Statement of Annette Williams, on behalf of American Federation of State, County and Municipal Employees, American Federation of Labor–Congress of Industrial Organizations

Good morning Mr. Chairman and Members of the Subcommittee. My name is Annette Williams and I retired only a few weeks ago, at age 58, from my job as a clerical worker employed by the City of Los Angeles. I'm here today representing my union, the American Federation of State, County and Municipal Employees (AFSCME), and the thousands of AFSCME members who work in jobs that are not covered by Social Security.

I'd like to begin by saying that I think Social Security is a wonderful insurance program. My husband was covered by Social Security when he passed away over twenty years ago. At the time I was widowed, three of my four children were minors and still living at home. All three received Social Security benefits based on my husband's work record. Those benefits helped our family hold on to a decent standard of living, despite the loss of our primary breadwinner.

Only now has Social Security let us down.

I never knew about the Government Pension Offset (GPO) until recently, when I began to explore my retirement options. I had always thought that I would be able to collect a widow's benefit when I reached the eligible age. I'm sure my husband believed the same thing. With every contribution from his paycheck, I know he felt that he was providing for my future.

Clearly, that was not the case. Instead, I will be forced to offset my city pension against my Social Security widow's benefit. Two-thirds of my $1,300-a-month pension will completely eliminate my widow's benefit of $812.

I know that Social Security's dual entitlement rule is often cited as justification for the GPO. The dual entitlement rule says that a person can receive their own earned Social Security benefit or a spousal benefit—whichever is higher—but not both. The GPO law essentially applies this rule to two-thirds of my pension, which is considered to be the equivalent of a Social Security benefit. However, I find this logic to be questionable. Here's why:

As a city employee, I contributed the same amount to my pension as private sector workers contribute to Social Security. My employer's contributions have been as high as 16½ percent of payroll. In the private sector, however, most workers don't contribute to their pension plans. Those plans are financed entirely by the employers and the workers contribute only to Social Security.

But when those workers retire, they not only collect their full pension, but full Social Security benefits too—based on their own work record or that of a spouse. These retirees aren't subject to any penalty or offset based on their pension amount, even though they've contributed no more to their combined Social Security and pension than I have.

To add insult to injury, not only am I penalized by the GPO, but I'm also affected by the so-called "Windfall Elimination Provision." From 1966 to 1983, I worked as a checker at Safeway and at other jobs that required me to pay into Social Security. Since I also worked in public employment, however, I won't get the full benefit to which I'm entitled. To get a full benefit, I would have to work many more years in covered employment.

So I'm being hit with a double whammy: the GPO and the WEP. Retirement seemed like a nice idea, but I'm forced to put it on hold and continue working. It's just not fair.

These laws need to be changed. The most aggrieved victims are women like me—average people with relatively small pensions. We tend to live longer than men, and often outlive our resources. Far too many of us end life in poverty. The GPO and WEP are contributing to this catastrophe.

So, I would urge the Subcommittee to take a serious look at legislation that will reform the GPO and WEP and make Social Security fair for public employees like me. But please, don't treat this plea as a reason to require *all* public jurisdictions to join the Social Security system. AFSCME's research shows how costly this would be for non-participating states and localities, most of which are currently struggling with enormous budget problems. At the same time, forced participation could destabilize dozens of public pension plans and jeopardize future benefits.

AFSCME is a member of the Coalition to Preserve Retirement Security, which is also providing testimony today. We support the Coalition's views on mandatory coverage.

While AFSCME is a strong supporter of Social Security and recognizes its profound importance to the majority of our members, we also understand that mandatory coverage could be a serious problem for the 25 percent of AFSCME members in non-covered jurisdictions.

It needs to be strongly emphasized that these individuals do not lack pension coverage. Nearly all are covered by state or local defined benefit pension plans. Furthermore, the Omnibus Reconciliation Act (OBRA) of 1990 has already ensured that any temporary, part-time or seasonal employee not covered by one of these public plans is covered under Social Security.

So, already there is basic pension protection for all American workers—private *and* public sector. There is no need to mandate Social Security coverage in an effort to protect workers' interests.

Public employees and their employers have been given ample opportunity to come under Social Security. Most have voluntarily done so. Those still outside the system clearly prefer their own state or local pension plans. The vast majority of these plans are actuarially sound. Most of them have been in existence longer than Social Security and were designed to function without it. They have excellent records for providing disability protection and retirement security to their participants.

Mandated Social Security coverage could have serious implications for public employees, their employers and their pension plans, even if the coverage applies only to future hires.

Employees would be required to pay 6.2 percent of their paychecks in FICA tax, even though most already make substantial contributions to their public employee pension plans. Unlike the private sector—where plans are usually financed entirely by employers—contributions by public workers in non-Social Security jurisdictions typically range from 8 to 10 percent of pay. Adding the Social Security payroll tax would create an unaffordable burden for millions of these workers, most of whom have lower- to middle-incomes.

Employers would also be required to contribute 6.2 percent of payroll to Social Security, on top of the contributions they now make to their own pension plans. These contributions are typically 13 to 15 percent of payroll. Public employers simply cannot afford to meet the additional expense of Social Security—particularly in light of the serious fiscal crises that most state and local governments now face. If forced to participate, the result could be a catastrophic loss of public services and jobs.

Faced with a requirement to pay FICA tax on behalf of employees, governments would most likely try to create new pension plan tiers for new hires that would integrate Social Security with a supplemental public pension. This could result in reduced benefits, higher employee contributions, and changes in retirement ages. Benefit structures for future retirees could be drastically altered.

It could also destabilize public pension funds for today's workers and retirees. Benefits in existing public pension plans rely heavily on a fund's investment earnings. If some of these investments are cut off and the proceeds diverted to new plans, it could spell serious trouble for AFSCME members and other public employees.

The result could be the inability of pension plans to pay promised benefits to *current* participants, unless taxes are raised to fund much higher employer contributions. Employers might also look at cutting post-retirement cost-of-living-adjustments and retiree health coverage—a disastrous consequence for vulnerable pensioners.

At the same time that it would create havoc for public employees and retirees, mandatory coverage would provide only limited relief for Social Security—extending trust fund solvency by only 2 years. Eventually, new participants would be eligible to collect benefits, placing new burdens on the system.

So, mandatory coverage is not an answer to Social Security's long-range shortfall, nor is it an answer to the GPO or WEP. Rather than create new financial dilemmas and benefit inequities, Congress needs to seek real solutions to the problems that confront Social Security now and in the future.

In closing, I would like to thank you for inviting me to testify on these important issues. Thousands of public employees and retirees are counting on your support.

Chairman SHAW. Thank you, Ms. Williams. Ms. Haschke?

STATEMENT OF DONNA HASCHKE, PRESIDENT, TEXAS STATE TEACHERS ASSOCIATION, AUSTIN, TEXAS, ON BEHALF OF THE NATIONAL EDUCATION ASSOCIATION

Ms. HASCHKE. Mr. Chairman, Mr. Matsui, and fellow Texan, Mr. Johnson, I am Donna Haschke. I have been a teacher for 25 years, and I am currently serving as the President of the Texas State Teachers Association (TSTA), and I am here representing TSTA and the National Education Association (NEA) today. Both TSTA and NEA strongly support complete repeal of the GPO and the WEP. These offsets are hurting our members, sometimes leaving them facing poverty in retirement and convincing some to leave the teaching profession. So, I am here today to put a human face on the problem. I brought about 500 letters, and Mr. Berman already had some of those, that people have written. They have e-mailed; they have faxed; they have written on notebook paper, typing paper. You probably will find a couple of first grade teacher letters in here written on Big Chief tablet paper.

[Laughter.]

Because any opportunity that teachers and school employees have to share their views, they take that opportunity. We are very, very concerned about this issue. The GPO penalizes individuals who have dedicated their lives to public service. The offset has the harshest impact on those who can least afford the loss: lower-income women. Ironically, those impacted have less money to spend in their local economy and sometimes have to turn to expensive programs such as food stamps to make ends meet. The NEA and TSTA receive hundreds of phone calls and letters each months from educators impacted by the GPO. Many are struggling to survive on incomes close to poverty, fearing they will be unable to cover their housing, medical and food expenses on their meager incomes. For example, Laurie Trapp from Paris, Texas—that is deep East Texas—writes, "I am a widow at age 43. My husband worked and paid into Social Security for over 25 years. I have found out that I am not eligible to receive his Social Security benefits at this

time, because my salary is more than the allowed amount. Both of my children will be in college at the time of my retirement. I will not be able to support myself and put them through college on just my retirement income." We are equally concerned about the WEP. Educators enter the profession, often at considerable financial sacrifice, because of their commitment to our Nation's children and their belief in the importance of ensuring every child the opportunity to excel. Yet many of these dedicated individuals are unaware that their choice to educate America's children comes at a price: the loss of benefits they earned in other jobs. Like the GPO, the WEP can have a devastating impact on educators' retirement security. For example, Lucinda Trusdale, from the Alief School District near Houston, says I did not start teaching until I was 33. I worked in the private sector from the time I was 17 until I graduated and began teaching.

If they take Social Security away from those with teacher retirement, I will not be able to afford to retire until well after the age of 65. As it is, I am a single mom aged 47 with an 8-year-old and a 5-year-old. Financially, we have a very hard time. I know it is not as bad as others, but I surely thought at 47 with a teaching degree, I would not have to struggle to make ends meet every month. John Duncan, who is a teacher in Odessa: "I worked and paid into Social Security for 17 years. I wanted to do something in my life to help someone else. I needed to do this, so I left a good-paying job to go back to school, receive my certification, and teach. I am now 68 years old, and I have taught for 28 years. I am approaching retirement and have counted on my Social Security to help me. Now, because of the WEP, I will lose approximately $5,700 a year of my Social Security. My wife will lose another $2,400 in spousal benefits. That is a total of $7,100 that we counted on for our retirement. This might not mean much to a lot of people, but to a teacher, this is a lot of money." We have some members who are penalized twice because they are affected by both the GPO and the WEP. I have a letter here from Mary Hall, but let me just tell you a little bit about Mary. She teaches at Memorial High School in Spring Branch Independent School District (ISD), near Houston. She is 86 years old. She has been teaching for 55 years, over half of those in Texas. Her husband is deceased, and she has been collecting $1,200 a month on his spousal benefits. She thinks that she cannot retire, because she would lose that benefit, and she would revert back to her benefit that she acquired from other school districts, which was $500, and that would be offset to about $300.

Mary is sharp as a tack. She has very, very good teaching skills. She is a wonderful teacher. Unfortunately, she is disabled; she teaches from a walker; she had a hip replacement that did not take; and her body is slowly deteriorating.

So, you would think of someone age 86 with 55 years of teaching experience, that she certainly should be looking forward to a good retirement. In Texas, as in other States, we are very worried about our ability to attract and retain quality teachers if they know about the GPO and the WEP. We are finding it harder and harder to convince people to enter the teaching profession, and we are seeing teachers leave the profession or the State because of the impact of

the offsets. Linda Whitner from Richardson ISD at Lake Highlands High School says, “I am a Texas teacher that is retiring in about a month. I have 20 years in Texas, 16 years before that in other States. I would like to show you my budget and let it speak for itself.” Here, she has written out all of her monthly expenses and her annuity, and she says as you can see, “I will have $141 a month for food, household supplies, clothes, 20 percent of doctors’ appointments, auto care and all of the little things that make life possible.” The last word she says here is, “help.” We are very pleased that Representatives McKeon and Berman have introduced the Social Security Fairness Act of 2003. We are gratified that this legislation already has over 190 cosponsors, and now, we urge Congress to take action and move this important legislation, and thank you for allowing me to address you today.

[The prepared statement of Ms. Haschke follows:]

Statement of Donna Haschke, President, Texas State Teachers Association, Austin, Texas, on behalf of the National Education Association

Mr. Chairman and Members of the Subcommittee:

On behalf of the National Education Association’s (NEA) 2.7 million members, we would like to thank you for the opportunity to submit comments on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP), and on the issue of mandatory Social Security coverage. We commend the Subcommittee for holding this important hearing on a matter of great concern to educators and other public employees.

NEA strongly supports complete repeal of the Government Pension Offset and the Windfall Elimination Provision, which unfairly reduce the Social Security and Social Security survivor benefits certain public employees may receive. We oppose requiring public employees to participate in Social Security. Our testimony will cover both of these issues.

The Government Pension Offset: A Devastating Loss of Benefits for Widows and Widowers

The Government Pension Offset reduces Social Security spousal or survivor benefits by two-thirds of the individual’s public pension. Thus, a teacher who receives a public pension for a job not covered by Social Security will lose much or all of any spousal survivor benefits she would expect to collect based on her husband’s private sector earnings.

Congress and the President agreed in 1983 to reduce the spousal benefits reduction from a dollar-for-dollar reduction to a reduction based on two-thirds of a public employee’s retirement system benefits. This remedial step, however, falls well short of addressing the continuing devastating impact of the GPO.

The GPO penalizes individuals who have dedicated their lives to public service. Nationwide, more than one-third of teachers and education employees, and more than one-fifth of other public employees, are not covered by Social Security, and are, therefore, subject to the Government Pension Offset.

Estimates indicate that 9 out of 10 public employees affected by the GPO lose their *entire* spousal benefit, even though their deceased spouse paid Social Security taxes for many years. Moreover, these estimates do not include those public employees or retirees who never applied for spousal benefits because they were informed they were ineligible. The offset has the harshest impact on those who can least afford the loss: lower-income women. Ironically, those impacted have less money to spend in their local economy, and sometimes have to turn to expensive government programs like food stamps to make ends meet.

NEA receives hundreds of phone calls and letters each month from educators impacted by the GPO. Many are struggling to survive on incomes close to poverty, fearing they will be unable to cover their housing, medical, and food expenses on their meager incomes. For example, consider the following stories:

From NEA member Dorothea in Ohio:

> *“When my husband and I were planning our retirement, we knew that I would not be able to receive full retirement credit from the years I was able to teach. However, with my share of his Social Security, and a small annuity, we felt that we were adequately covered. [A]fter I started teaching, the*

Offset Penalty was voted into effect and the Social Security he contributed to for over 35 years is not available to me. Currently I receive $203 a month as my share of his Social Security. It just is not fair—if he could rise from the grave in protest, I'm sure he would. One goes to college, marries, raises a family, and, in this country, expects to be able to retire in a comfortable situation. I'm only asking for benefits which my husband and I have earned—it's time to correct this injustice."

From NEA member Patricia in Texas:

"I am a retired teacher . . . who chose to say at home and be with my four children during those most important early development years. I did not begin teaching until I was 40 years old and left at 55 because my husband had retired. . . . My retired pay is $517 per month. Next year when I am 65 and the GPO is used to calculate my Social Security benefits, I will be lucky if I can get enough to pay for my Medicare costs."

The Windfall Elimination Provision: A Shocking Loss of Earned Benefits

The Windfall Elimination Provision reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security. Congress enacted the WEP ostensibly to remove an advantage for short-term, higher-paid workers under the original Social Security formula. Yet, instead of protecting low-earning retirees, the WEP has unfairly impacted lower-paid retirees such as educators.

The WEP penalizes individuals who move into teaching from private sector employment, or who seek to supplement their often insufficient public wages by working part-time or in the summer months in jobs covered by Social Security. Educators enter the profession often at considerable financial sacrifice because of their commitment to our nation's children and their belief in the importance of ensuring every child the opportunity to excel. Yet, many of these dedicated individuals are unaware that their choice to educate America's children comes at a price—the loss of benefits they earned in other jobs.

While the amount of reduction depends on when the person retires and how many years of earnings he or she has accumulated, many public employees can lose a significant portion of the Social Security benefits they earned in other jobs. Like the GPO, the WEP can have a devastating impact on educators' retirement security. For example:

NEA member Lytell from California reports:

"This offset makes my life a financially insecure one. Down the road, I will be desperate. I had always wanted to be a teacher. . . . I worked as a medical secretary for 10 years. As I matured, I decided to go back and fulfill my earlier dream. It took 4 years of financial hardship and other lifestyle sacrifices but I persevered. . . . Finally, I was able to get a job in a remote Idaho town, leaving my family, friends and worn out car behind. And so began a wonderful and rewarding career. . . . As the second half of my working life [in California] came to a halt, I learned that I would be financially penalized for teaching here in California. . . . I have to work to supplement my retirement, having experienced a 50% penalty in my Social Security benefits. . . . When I can no longer work, I am afraid that I will lose my home. . . . It's a very frightening thought."

From NEA member Marilyn in Ohio:

"In June of 1956 I graduated from high school and began working as secretary to the president of Dime Bank in Akron, Ohio. . . . I worked there for a little over seven years, leaving to raise three children. I worked [in retail] during the hours the children were in school (still paying into SS). In February of 1985 I took a part-time position at the University of Akron, which later turned to full-time. In March of 2000, I reported to my Social Security Office in Akron, Ohio to make plans for my retirement. . . . I was retiring with 15 years of service. For several years prior, I had been receiving information by mail from the Social Security Office that I would be receiving $1,022 a month in Social Security benefits upon retirement. [However, I was told] 'since you retired from the University of Akron, you will only receive $220 per month.' I was angry, astonished, upset and I cried. I . . . was absolutely amazed that I had been put into such a position. Consequently, I am still working through a temporary job placement company, pouring my money into Social Security coffers, for which I will only receive $220 a month until the day I die. Is this fair?"

From NEA member Theresa in Illinois:

"Currently, I am a Guidance Counselor at Lockport Township High School. I also have experience teaching special education in low income and inner city high schools. Prior to entering the education field, I was working in the business world and paying into Social Security. I am a single person with no other income. I decided to leave the business world and teach. I never realized this move would jeopardize my Social Security money when I retired. . . . [B]ecause I did work in the business world for years I do not have an opportunity to put in the full amount of years to receive a full teachers pension. I will not receive a full teachers pension either. Since I have never married, I will not receive any spouse benefits. . . . I find it appalling that teachers are bearing this burden. Teachers who changed careers should not be penalized from receiving full Social Security benefits."

The "Double Whammy": Educators Impacted by Both the GPO and WEP

Many NEA members report that they are subject to double penalties—losing both their own benefits and spousal benefits due to the combined impact of the GPO and WEP. For example NEA member Mary from Ohio reports:

"I became a teacher at the age of 41 after working at various jobs under Social Security for 20+ years. I'm 64 years old and retired now. Little did I know the financial impact my decision to become a teacher at midlife would have on my retirement. I can only collect 40% of the Social Security I worked for and paid into for many years—a whopping $189.00 a month. Worse yet, if my husband dies before me, I will collect NONE of the Social Security benefits he paid into for 30 years. I didn't teach long enough to receive a full teacher's pension—silly me, I always thought Social Security would help fill the gap. After all, I worked for it, didn't I? Wrong! . . . I feel betrayed. What a terrible way to treat someone who dedicated half her work life to the education of children. I know the $250 (approximately) a month I'm missing due to the WEP is small change to [Congress] but it would help me tremendously to get through the month, especially with the cost of health care for my husband and me through the State Teachers' Retirement System. I don't know how much I will lose in Social Security benefits if my husband dies first, but I'm sure however much it is, I will miss it dreadfully."

The National Impact of the GPO and WEP: Undermining Teacher Recruitment Efforts

The GPO and WEP have an impact far beyond those states in which public employees like educators are not covered by Social Security. Because people move from state to state, there are affected individuals everywhere. The number of people impacted across the country is growing every day as more and more people reach retirement age.

Perhaps most alarming, the GPO and WEP are impacting the recruitment of quality teachers to meet urgent national shortages. Record enrollments in public schools and the projected retirements of thousands of veteran teachers are driving an urgent need for teacher recruitment. Estimates for the number of new teachers needed range from 2.2 to 2.7 million by 2009.

At the same time that policymakers are encouraging experienced people to change careers and enter the teaching profession, individuals who have worked in other careers are less likely to want to become teachers if doing so will mean a loss of Social Security benefits they have earned. Some states seeking to entice retired teachers to return to the classroom have found them reluctant to return to teaching because of the impact of the GPO and WEP. In addition, current teachers are increasingly likely to leave the profession to reduce the penalty they will incur upon retirement, and students are likely to choose other course of study and avoid the teaching profession.

The GPO and WEP also impact other critical public services fields, including police and firefighters. Our nation can ill-afford to allow the very real fear of poverty in retirement to force talented, dedicated individuals out of these professions.

The GPO/WEP Solution: Total Repeal

Representatives McKeon (R–CA) and Berman (D–CA) have introduced the Social Security Fairness Act of 2003 (H.R. 594). This bipartisan legislation, which already has over 180 cosponsors, would eliminate the GPO and WEP, thereby allowing public employees, like all other employees, to collect the benefits they earned and need.

While other proposals would address the GPO and WEP by making changes to the formulas or setting minimum benefit levels, NEA strongly believes that total re-

peal is the best solution. The change in the GPO formula enacted in 1983 has still left thousands of retired educators in desperate financial circumstances. Only a complete repeal will ensure the financial security our nation's public servants deserve.

Therefore, NEA urges the Subcommittee, and the entire House of Representatives, to take immediate steps toward passage of the McKeon-Berman bill.

Mandatory Coverage: An Unwise and Unnecessary Approach

NEA's position on repeal of the Government Pension Offset and Windfall Elimination Provision should not in any way be interpreted as support for requiring public employees to participate in Social Security. NEA strongly opposes mandatory coverage. Instead, NEA simply believes that workers should be able to receive the benefits they or their spouse earned by working in covered employment, without jeopardizing their public pension.

Social Security is a "one-size-fits-all" program. Many existing public employee programs are tailored to meet the needs of specific employee groups. Forcing public employees into Social Security would jeopardize these state and local plans. In addition, Social Security trust funds can be invested only in U.S. Treasury bonds. State and local governments permit a greater diversity of investment options, thereby potentially achieving a greater rate of return.

Mandatory coverage of public employees would also increase the tax burden on public-sector employers. Ultimately, these increased tax obligations would lead to difficult choices, including reducing the number of new hires, limiting employee wage increases, reducing cost-of-living increases for retirees, and reducing other benefits such as health care. Mandating coverage of certain categories of workers in high-risk professions, such as police and firefighters, might also increase program costs since these workers are more likely than the general population to receive Survivors and Disability Insurance.

Finally, mandating coverage of public employees will not solve the Social Security system's financial difficulties. The amount of money gained by mandating coverage would be relatively small and would not solve the long-term Social Security crisis. Requiring new state and local employees to pay into Social Security would enable the federal government to continue borrowing money from Social Security trust funds, and, therefore, could exacerbate financing problems.

Conclusion

NEA strongly urges Congress to:

1. Take immediate action to pass the Social Security Fairness Act of 2003, repealing both the Government Pension Offset and Windfall Elimination Provision.
2. Reject proposals to require public employees in uncovered states to participate in Social Security.

We thank you for your consideration of these comments.

Chairman SHAW. Thank you. Mr. Johnson?

STATEMENT OF WILLIAM J. JOHNSON, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF POLICE ORGANIZATIONS

Mr. JOHNSON. Mr. Chairman, Representative Matsui and Members of the Subcommittee, my name is William Johnson, and I serve as the Executive Director of the National Association of Police Organizations (NAPO). On behalf of 230,000 rank-and-file police officers from across the United States, I would like to thank you for this opportunity to testify today on the future of Social Security and the impact of the GPO and the WEP provision. The Social Security program is an important source of future retirement security for millions of Americans, and NAPO realizes that the program needs to be put on a sound footing for future generations of retirees. We commend Congress and this Subcommittee for their efforts to consider various reforms but wish to stress that mandating Social Security coverage for State and local governmental employees will neither assist solvency nor assure proper and fitting coverage for the law enforcement community. Forcing State and local

governments and employees to pay a combined 12.4 percent tax would have major consequences; specifically, mandating Social Security taxes on the 70 percent of public safety officers now not covered would have a dramatic and negative impact on the recruitment and retention of well-qualified public safety officers. In addition, it would constitute an unfunded mandate on public safety agencies, amounting to over $25 billion in the first 5 years alone according to one recent study.

Under a mandatory Social Security system, police officers and firefighters would pay more taxes for inadequate benefits as compared to their current pension plans. Fourteen States, many represented on this Subcommittee, cover substantial numbers of their public employees under independent plans which will be jeopardized by mandatory Social Security. Those States are Texas, Louisiana, Missouri, California, Ohio, Colorado, Illinois, Massachusetts, Kentucky, Minnesota, Nevada, Connecticut, Maine, and Alaska. Firefighters and police officers in nearly every State are covered by independent plans rather than Social Security and nationwide, about 5 million public employees are covered by State or local plans in lieu of Social Security. State and local governments were excluded from the Social Security Act of 1935 (P.L. 74–271) for two reasons: first, there were and still are questions as to whether and the extent to which the Federal Government could properly tax State and local governments. Second, many State and local governments have their own adequate and already existing pension systems. It makes no sense whatsoever to do away with a system of pension plans that is working well and paying needed benefits to those who serve and protect the public. Tampering with the current system would most assuredly result in some of our better candidates and current officers going into other professions.

Social Security benefits do not provide anywhere near the same level of benefits of current public safety pension plans and provide no disability benefits unless one generally is unable to perform any work, not just public safety work. To meet the new mandated costs, a majority of government entities would be forced to pay both their new 6.2 percent tax share and retain their current pension systems, because they are required by law or collective bargaining agreement to do so. Imposing Social Security taxes on these State and local governments would strain their already tight budgets and would have serious consequences on the pay and working conditions of public safety officers. State and local governments would likely consider the following actions to try to address that situation: decreasing the number of public safety officers; reducing the pay of law enforcement officers; freezing future cost of living increases; paying the 6.2 percent tax share by reducing proportionately their contributions to the current pension systems; or saving funds by not providing public safety officers with the essential equipment and technology needed to perform their duties.

Over time, the increasing transfer of contributions of both employers and employees from existing pension plans to Social Security would severely reduce the plans' assets and investment income as more grandfathered employees in the current systems retire and new employees covered by Social Security are hired to replace them. This would threaten the financial viability of sound, secure

and longstanding retirement systems. Existing pension plans would become underfunded and place at serious risk the future benefits paid to retirees. In a 1998 report to this Subcommittee, the GAO stated that the SSA estimates that extending mandatory Social Security coverage to all newly-hired State and local government employees would reduce the program's long-term actuarial deficit by about 10 percent and would extend the trust solvency by about 2 years. Fundamentally changing and jeopardizing the pension systems of over 5 million Americans is not worth the minimal gains such actions would produce.

A second concern NAPO has regarding Social Security concerns those provisions that have been discussed here today, the GPO and the WEP provisions. I know that my written remarks are already in the record, and I thank you for that, and I know those provisions have been discussed in detail. If I could depart briefly in the time I have remaining, it just seems fundamentally that when we talk about the GPO in particular, we are talking about spousal benefits. We are talking about benefits earned by the person who worked, knowing and believing that his or her spouse would be covered when they die. It seems fundamentally unfair to deprive the widow, in most cases, of those benefits that had already been earned and paid for by the worker who is already deceased. If we could focus on the promise made to that worker while he was still alive and honor that promise that we have made as a country, I think that we would do an honor both to the person who worked, the surviving widows and to this Congress. Thank you.

[The prepared statement of Mr. Johnson follows:]

Statement of William J. Johnson, Executive Director, National Association of Police Organizations

Mr. Chairman, Representative Matsui, Members of the House Subcommittee, my name is William Johnson and I am the Executive Director of the National Association of Police Organizations. NAPO is a coalition of police unions and associations from across the United States that serves here in Washington D.C. to advance the interests of America's law enforcement through legislative and legal advocacy.

On behalf of 230,000 rank-and-file police officers from across the United States, I would like to thank you for this opportunity to testify today on the future of Social Security and the impact of the Government Pension Offset and Windfall Elimination Provisions.

Today, I will discuss our paramount concerns regarding Social Security reform and how they impact America's law enforcement community. First, the incorrect theory that mandating Social Security coverage for state and local governmental employees will ensure future solvency and second, the unfortunate effects of Government Pension Offset and Windfall Elimination Provisions on the survivors of those who, by professional need, are allowed to opt out of Social Security coverage.

The Social Security program is an important source of future retirement security for millions of Americans and NAPO realizes that the program needs to be put on a sound footing for future generations of retirees. We commend Congress and this Subcommittee for their efforts to consider various reforms but wish to stress that mandating Social Security coverage for state and local governmental employees will neither assist solvency nor ensure proper and fitting coverage for the law enforcement community.

Forcing state and local governments and employees to pay a combined 12.4 percent tax would have major consequences. Specifically, mandating Social Security taxes on the 70 percent of public safety officers now not covered would have a dramatic and negative impact on the recruitment and retention of well-qualified public safety officers. In addition, it would constitute an unfunded mandate on public safety agencies, amounting to over $25 billion in the first five years alone according a 1999 study done by the Segal Company. Under a mandatory Social Security system,

police officers and firefighters would pay more taxes for inadequate benefits, as compared to their current pension plans.

Fourteen states, many represented on this Committee, cover substantial numbers of their public employees under independent plans which will be jeopardized by mandatory Social Security. They are: Texas, Louisiana, Missouri, California, Ohio, Colorado, Illinois, Massachusetts, Kentucky, Minnesota, Nevada, Connecticut, Maine, and Alaska. Firefighters and police officers in nearly every state are covered by independent plans rather than Social Security and nationwide about 5 million public employees are covered by state or local plans in lieu of Social Security.

State and local governments were excluded from the Social Security Act of 1935 for two reasons. First, there were and may still be questions as to whether and the extent to which the Federal government could tax state and local governments. Second, many state and local governments had their own adequate pre-existing pension systems.

It makes no sense whatsoever to do away with a system of pension plans that is working well and paying needed benefits to those who serve and protect the public. Tampering with the current system would most assuredly result in some of our better candidates and current officers going into other professions, in view of the fierce competition among public safety agencies and the private sector.

Social Security benefits do not provide anywhere near the same level of benefits of current public safety pension plans and provide no disability benefits unless one is unable to perform any work, not just public safety work.

To meet the new mandated costs, a majority of government entities would be forced to both pay the newly imposed 6.2 percent tax share and retain their current pension systems, because they are required by law or collective bargaining agreement to do so. Imposing Social Security taxes on these state and local governments would strain their already tight budgets and would have serious consequences on the pay and working conditions of their public safety officers.

Because raising taxes to make up the difference is not politically feasible, state and local governments would likely consider the following actions: decreasing the number of public safety officers to retain current pay levels and benefits; reducing the pay of law enforcement officers; freezing future cost-of-living increases; paying the 6.2 percent tax share by reducing proportionally their contributions to current pension systems; or saving funds by not providing public safety officers with the essential equipment and technology needed to effectively perform their duties.

Over time, the increasing transfer of significant contributions, of both employers and employees, from existing pension plans to Social Security would severely reduce the plans' assets and investment income, as more grandfathered employees in the current systems retire and new employees covered by Social Security are hired to replace them. This would threaten the financial viability of sound, secure and long-standing retirement systems. Existing pension plans would become under-funded and place at serious risk the future benefits paid to retirees.

In a 1998 report to this Subcommittee, the General Accounting Office stated that, "the Social Security Administration estimates that extending mandatory Social Security coverage to all newly hired state and local governmental employees would reduce the program's long-term actuarial deficit by about 10 percent and would extend the trust's solvency by about 2 years." Fundamentally changing and jeopardizing the pension systems of over 5 million Americans is not worth the minimal gains such actions would produce.

A second concern NAPO has regarding Social Security coverage concerns provisions which disproportionately and unfairly penalize those officers and their families who opt out of Social Security coverage because of professional need. The Social Security system is not appropriate for public safety officers who normally retire prior to or around 50 to 55 years of age, due to the stresses and dangers they face every day. Unlike current pension plans where officers may retire after 20 or more years of service, Social Security will not pay these individuals until they reach 62 to 67 years of age.

Many retire from public safety careers in their early to mid fifties and look for new opportunities to serve their community though they will be penalized by the Windfall Elimination Provision if they retire from a non-Social Security paying job and move to one that does.

The Windfall Elimination Provision (WEP) was adopted as part of the Social Security Amendments of 1983 and affects an individual's Social Security if that person became eligible for a federal, State or local government pension after 1985 based on work not covered by Social Security.

The regular formula for computing a Social Security benefit is based on Average Indexed Monthly Earning (AIME). The benefit is figured by taking 90 percent of the

first $606 of the AIME; 32 percent of the next AIME to $3,653; and 15 percent of $3,653 and over. These figures are indexed each year.

In contrast, the WEP formula unfairly overpenalizes lower paid government employees who have had a career in both the public and private sector by taking only 40 percent of the first $606 of the AIME. While the other percentages remain the same, this reduces the benefit by more than half.

Another penalty that survivors, of these officers see is the Government Pension Offset which unfairly affects the survivor's own Social Security payment.

As an example, if a man collects a Social Security benefit of $800 a month and his wife collects a government pension from a job outside Social Security of $900 a month, the wife would, in the absence of GPO, be eligible for a spousal benefit of half her husband's retirement benefit, or $400 a month. GPO, however, requires that this amount be offset by two-thirds of her pension—or $600—so, as a result, she receives nothing. In contrast, had she never worked at all, she would receive the $400 spousal benefit.

NAPO supports legislation that has been introduced in this Congress to eliminate the Government Pension Offset for combined monthly benefits of $1,200 or $2,000 or less depending on the legislation and further legislation that will reform the Windfall Elimination Provision. The Offset and Windfall figures were arbitrarily picked and NAPO hopes that the Congress will correct them to properly assist those Americans who survive a public safety officer or public employee.

Mr. Chairman, Representatives, our concerns are twofold. One, mandating Social Security coverage for state and local governmental employees will neither significantly assist solvency of the program nor ensure proper and fitting coverage for the law enforcement community. And second, that the officers and their families should not be unfairly penalized for their service to their communities who opt out of Social Security coverage because of professional need. I want to thank the Committee and Chairman Shaw for this opportunity to speak to you all today and I ask that my testimony be added to the official record. I would be happy to answer any questions you may have.

Chairman SHAW. Thank you, Mr. Johnson. Mr. Canterbury?

STATEMENT OF CHUCK CANTERBURY, NATIONAL PRESIDENT, FRATERNAL ORDER OF POLICE, NASHVILLE, TENNESSEE

Mr. CANTERBURY. Good morning, Mr. Chairman, Ranking Member Matsui, and distinguished Members of this Subcommittee. I am the National President of the National Fraternal Order of Police (FOP), and I am the elected spokesperson of 305,000 rank-and-file police officers. The FOP has designated the repeal of the WEP and the GPO as one of our top legislative priorities, and we strongly urge this Committee to consider passing H.R. 594. The FOP had the privilege of testifying before this Subcommittee in May 1998, and we did so again in June 2000 when past National President Gilbert Gallegos testified on this same issue. It is our hope that the third time is going to be the charm. The Social Security Fairness Act, which was introduced by Mr. McKeon, would repeal both the WEP and the GPO. With 190 cosponsors, and strong support from both sides of the aisle, we hope to see this pass in this Congress. Ultimately, this legislation is about fairness to State and local employees who paid for and ought to receive their Social Security benefits. Let me begin by explaining the impact of the WEP on retired police officers.

Simply put, law enforcement officers who serve communities that are not included in the Social Security system may lose up to 60 percent of their benefits to which they were entitled by virtue of secondary or post-retirement employment which required them to pay into the Social Security system. This 60 percent is a lot of money, especially when you consider that the officer and his family

were likely counting on that benefit when they planned for their retirement. The FOP contends that this provision has a disparate impact on law enforcement officers for several reasons. First of all, we retire earlier than many other professions. Owing to the physical demands of the job, a law enforcement officer is likely to retire between the ages of 45 and 60. Second, after 20 or 25 years on the job, many law enforcement officers are likely to begin second careers and hold jobs that do pay into the Social Security system. Even more officers are likely to moonlight throughout their entire career and hold second or even third jobs after their law enforcement career to make ends meet.

This creates an unjust situation that too many of our Members find themselves in. They are entitled to a State or local retirement benefit because they worked for 20 or more years keeping their streets and neighborhoods safe and also worked at a job or jobs in which they paid into Social Security, entitling them to a benefit as well. However, because of the WEP, if their second career resulted in less than 20 years of substantial earnings, upon reaching the age they are eligible to collect Social Security, they discover they lose 60 percent of the benefit for which they were taxed. I doubt many officers will live long enough to break even; that is, to collect money they paid into the system, let alone receive any windfall. These men and women earned their State and local retirement benefits as public employees, and they paid Social Security taxes while employed in the public sector. How is that a windfall? I think it is clear that Congress did not intend to reduce the benefits of hardworking Americans who chose to serve their States and communities as public employees and then went on to have second careers or work second jobs to make ends meet. When the WEP was enacted in 1983, it was part of a large reform package designed to shore up the Social Security system, and its purpose was to remove a windfall for persons who spent some time in jobs not covered by Social Security, like public employees, and also worked other jobs where they paid Social Security taxes long enough to qualify.

However, we can now clearly see that the WEP was a benefit cut and designed to squeeze a few more dollars out of a system facing financial crisis. The fallout of this effort has had a profoundly negative impact on low-paid public employees outside of the Social Security system like police officers. To us, this is a matter of fairness. The arbitrary formula in current law when applied does not eliminate windfalls because of its regressive nature. The reduction is only applied to the first bracket of the benefit formula and causes a relatively larger reduction of benefits to low-paid workers. It also overpenalizes lower-paid workers with short careers or, like many retired law enforcement officers, whose careers are split inside and outside of the Social Security system. Simply put, this provision has not eliminated a windfall for individuals who have not earned it. It has resulted in a windfall for the Federal Government at the expense of public employees. Like the WEP, the GPO was adopted in 1983 to shore up the finances of the Social Security Trust Fund. The provision reduces a surviving spouse's benefit. For example, the spouse of a retired law enforcement officer who, at the time of his death, was collecting a pension of $1,200 would be ineligible to collect the surviving spouse benefit of $600 from Social Security.

Two-thirds of $1,200 is $800, which is greater than the spousal benefit, and under the law, the spouse is unable to collect a single dime of it. In 9 out of 10 cases, this completely eliminates the spousal benefit even though the covered spouse paid Social Security taxes for many years. Mr. Chairman, we would like to urge this Committee to pass this legislation, and we thank you for your time today.

[The prepared statement of Mr. Canterbury follows:]

Statement of Chuck Canterbury, National President, Fraternal Order of Police, Nashville, Tennessee

Good morning, Mr. Chairman, Ranking Member Matsui, and distinguished Members of the House Subcommittee on Social Security. My name is Chuck Canterbury, National President of the Fraternal Order of Police. I am the elected spokesperson of more than 305,000 rank-and-file police officers—the largest law enforcement labor organization in the United States. I am here this morning to share with you the views of the members of the F.O.P. on the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) provisions in current Social Security law.

The Fraternal Order of Police, by a vote of its delegates at our National Biennial Conference in 1997, has designated the repeal of the WEP and GPO as one of its top legislative priorities and we strongly urge this Subcommittee to consider and pass H.R. 594, the "Social Security Fairness Act." The F.O.P. had the privilege of testifying before this Subcommittee in May 1998. We did so again in June 2000, when Past National President Gilbert G. Gallegos testified on this same issue. It is our hope that the third time is the charm.

The "Social Security Fairness Act," introduced by Representative Howard L. "Buck" McKeon (R–CA), would repeal both the WEP and GPO. The bill already has one hundred and eighty-three (183) cosponsors, drawing strong support from both sides of the aisle. It is our hope that Congress will take a serious look at the manifest unfairness of the WEP and GPO and act to correct them by passing this bill. Ultimately, this legislation is about fairness to the State and local employees who paid for and ought to receive their Social Security benefits.

Let me begin by explaining the impact of the WEP on retired police officers. Simply put, law enforcement officers who served communities which are not included in the Social Security system may lose up to sixty percent (60%) of the Social Security benefit to which they are entitled by virtue of secondary or post-retirement employment which required them to pay into the Social Security system. This sixty percent (60%) is a lot of money, especially when you consider that the officer and his family were likely counting on that benefit when they planned for retirement.

The F.O.P. contends that this provision has a disparate impact on law enforcement officers for several reasons. First of all, law enforcement officers retire earlier than employees in many other professions. Owing to the physical demands of the job, a law enforcement officer is likely to retire between the ages of 45 and 60. Second, after 20 or 25 years on the job, many law enforcement officers are likely to begin second careers and hold jobs that do pay into the Social Security system. Even more officers are likely to "moonlight," that is, hold second or even third jobs throughout their law enforcement career in order to augment their income. This creates an unjust situation that too many of our members find themselves in: they are entitled to a State or local retirement benefit because they worked 20 or more years keeping their streets and neighborhoods safe, and also worked at a job or jobs in which they paid into Social Security, entitling them to that benefit as well. However, because of the WEP, if their second career resulted in less than twenty (20) years of substantial earnings, upon reaching the age they are eligible to collect Social Security, they will discover that they lose sixty percent (60%) of the benefit for which they were taxed! Actuarially speaking, I doubt many officers will live long enough to "break even"—that is collect the money they paid into the system, let alone receive any "windfall." These men and women earned their State or local retirement benefit as public employees and they paid Social Security taxes while employed in the private sector. How is this a windfall?

I think it is clear that Congress did not intend to reduce the benefits of hardworking Americans who chose to serve their States and communities as public employees and then went on to have second careers or worked second jobs to make ends meet. After all, when Social Security was established in 1935, it intentionally excluded State and local employees. And though most public employees are now in the Social Security system, fifteen (15) States—Alaska, California, Colorado, Con-

necticut, Georgia (certain local governments), Illinois, Louisiana, Kentucky (certain local governments), Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island, and Texas—remain outside the Social Security system. It is these public employees that need the help of Congress.

When the WEP was enacted in 1983, it was part of a large reform package designed to shore up the financing of the Social Security system. Its ostensible purpose was to remove a "windfall" for persons who spent some time in jobs not covered by Social Security (like public employees) and also worked other jobs where they paid Social Security taxes long enough to qualify for retirement benefits. However, we can now clearly see that the WEP was a benefit cut designed to squeeze a few more dollars out of a system facing fiscal crisis. The fallout of this effort has had a profoundly negative impact on low-paid public employees outside the Social Security system, like law enforcement officers.

This is a matter of fairness. The WEP substantially reduces a benefit that employees had included and counted on when planning their retirement. The arbitrary formula in current law, when applied, does not eliminate "windfalls" because of its regressive nature—the reduction is only applied to the first bracket of the benefit formula and causes a relatively larger reduction in benefits to low-paid workers. It also overpenalizes lower paid workers with short careers or, like many retired law enforcement officers, those whose careers are split inside and outside the Social Security system. This provision has not eliminated a windfall for individuals who did not earn it, it has resulted in a windfall for the Federal government at the expense of public employees.

Let me now discuss the other aspect of the McKeon bill, which would repeal the Government Pension Offset (GPO). In 1977, Federal legislation was enacted that required a dollar-for-dollar reduction of Social Security spousal benefits to public employees and retired public employees who received earned benefits from a Federal, State, or local retirement system. Following a major campaign to repeal the provisions in 1983, Congress, which was looking for ways to reduce the fiscal pressure on the Social Security system, adopted instead the Government Pension Offset, which limits the spousal benefits reduction to two-thirds of a public employee's retirement system benefits. This remedial step falls far short of addressing the inequity of Social Security benefits between public and private employees. This "offset" provision should have been repealed in 1983 and might have been were it not for the fiscal condition of the Social Security system.

The new GPO formula reduces the spouse's or widow(er)'s benefit from Social Security by two-thirds of the monthly amount received by the government pension. For example, the spouse of a retired law enforcement officer who, at the time of his or her death, was collecting a government pension of $1,200, would be ineligible to collect the surviving spousal benefit of $600 from Social Security. Two-thirds of $1,200 is $800, which is greater than the spousal benefit of $600 and thus, under this law, the spouse is unable to collect it. If the spouse's benefit were $900, only $100 could be collected, because $800 would be "offset" by the officer's government pension.

In nine out of ten cases, this completely eliminates the spousal benefit even though the covered spouse paid Social Security taxes for many years, thereby earning the right to these benefits. It is estimated that approximately 349,000 spouses and widow(er)s of State and local employees have been unfairly affected by the Government Pension Offset. Moreover, these estimates do not capture those public employees or retirees who never applied for spousal benefits because they wrongly believed themselves ineligible. According to the Congressional Budget Office, the GPO reduces benefits for some 200,000 individuals by more than $3,600 a year. Ironically, the loss of these benefits may cause these men and women to become eligible for more costly Federal assistance, such as food stamps.

The present system creates a tremendous inequity in the distribution of Social Security benefits. The standard for this narrow class of individuals—retired public employees who are surviving spouses of retirees covered by Social Security—is inconsistent with the overall provisions of the Social Security Act and does not apply to persons receiving private pension benefits. This imbalance exists even though Congress, through ERISA standards and Tax Code provisions, has more direct influence over private employers than public employers. Clearly, this is an issue that Congress must address.

The need to repeal the WEP and GPO is related to an issue recently debated on the floor of the House. On 2 April, the House considered H.R. 743, the "Social Security Protection Act," for the second time. The legislation had previously been considered by the House on 5 March, but failed to obtain the two-thirds majority necessary to pass under a suspension of the rules. The crux of the legislation aimed to crack down on fraud and abuse in Social Security programs by strengthening protections for vulnerable recipients dependent on representative payees to manage

their financial affairs. The bill would prohibit fugitive felons and probation/parole violators from receiving Social Security disability benefits and enhance the ability of the Inspector General to fight fraud. The bill also contained the text of the F.O.P.-backed H.R. 134, legislation authored by Representative Ron Lewis (R–KY), a Member of this Subcommittee, which would add Kentucky to the list of States permitted to operate a separate retirement system for certain public employees. We strongly supported this language and the overall intent of the legislation.

However, the F.O.P. did object to Section 418 of the bill which would close a "loophole" in the Government Pension Offset (GPO) that enables some public employees, mostly teachers, to spend their last day of employment in a position in which they would pay into Social Security. Despite having worked their entire career in non-covered position, a single day in a covered position is sufficient for them to avoid the benefit cuts which would have otherwise been incurred under the GPO. This practice is very recent and I do not know if law enforcement officers are making use of this loophole, or even if it is possible for them to do so in any jurisdiction in the country.

Representative Gene Green (D–TX) offered an amendment in the nature of a substitute which would have stripped out Section 418 of the bill. The F.O.P. supported this amendment, but it was ultimately defeated on a 196–228 vote (Roll Call Vote No. 100). In our view, the GPO is unfair to begin with, thus there is no margin on "fixing" any loophole in that provision.

I am concerned that Congress continues to look for ways to save money for the Social Security system by cutting benefits earned by State and local employees. This is not right and it is not fair. The Federal government has a commitment to these men and women that must be honored.

I also want to speak to the advocates of mandatory participation in the Social Security system by all State and local employees. This is not the way to solve the inherent unfairness of the WEP or GPO, nor is it a sound fiscal or retirement policy for those States and localities which are better off outside the Social Security system. Mandatory inclusion in Social Security must be seen for what it is—a scheme to require participation for all employees currently outside the system—thus covering the expected shortfall with a huge influx of new tax dollars.

If the Federal government imposes mandatory Social Security participation, it severely compromises the financial solvency of existing pension and retirement plans into which these employees contribute. These plans, which are often designed and tailored with the public safety employee in mind, deliver a greater benefit to their participants than does Social Security.

Additionally, the cost to States, localities, and the individual employees would be immense. The employee would be required to pay 6.2% of his or her salary into the Social Security trust fund. This amount would be in addition to the contribution already paid by the employee into the State or local retirement system. The employer would have to match the employees contribution—another 6.2% cost to the employing agency *for each employee*. And that, too, would be in addition to whatever matching contribution must be made by the employer into the existing State or local retirement system.

Clearly, the damage that would be done to State and local governments and the families of the employees cannot be overestimated if the Federal government forces them to pay a new tax of 12.4%. Collected data shows that the first year cost to employers—local and State governments—to cover newly hired employees only would be over $771 million. The newly hired employees would be responsible for an equal amount, making the cost of the first year of coverage over $1.5 billion. The total annual cost to employers for covering employees not currently in the Social Security system would be $8.5 billion. When the employees' share is counted, that amount rises to over $17 billion per year.

The result of this is obvious: less take home pay for the employee and cut backs in services, equipment and other expenditures on the part of State and local governments. Police departments and other law enforcement agencies already stretch every dollar to the limit to meet homeland security burdens. Mandatory participation would mean huge new costs that will devastate their budgets.

Federally mandated participation in Social Security is not a minor issue. Such a mandate would adversely affect millions of employees and impose billions of dollars in additional costs to State and local governments. Many retirement and pension plans for public sector employees have been specifically designed and refined on the assumption that local governments would not be required to participate in the Social Security system. This was a reasonable assumption since local governments have never been required to pay into the system. An important consideration for law enforcement and other public safety officers is a much earlier retirement age than

other, more typical, government employees. Local and State retirement plans take this early retirement into consideration, Social Security does not.

Sometimes, proposals sound good on the surface, but after careful examination are revealed to be unsound policies with damaging consequences. We believe that mandating the inclusion of all public sector employees into the Social Security system falls into this category. It is wrong to change the rules sixty-eight (68) years later because the Federal government is looking for an easy way to fund Social Security without making hard choices. The State and local governments who chose not to participate in Social Security did not create this problem, nor did the nearly four million employees who do not pay into the system. But those States and localities would be paying a hefty price for their previous decision to create their own retirement plans. Destroying the retirement programs of these hard-working Americans and raiding the budgets of State and local governments should not be part of the Federal government's solution.

The President's Commission to Strengthen Social Security (CSSS) rejected the mandatory participation scheme in its final report issue on 21 December 2001. Congress should do likewise.

Mr. Chairman, I want to thank you and the other Members of this distinguished Subcommittee for the chance to appear before you today. It is my hope that you will call on the Fraternal Order of Police for its help and support when you consider H.R. 594, the "Social Security Fairness Act."

Chairman SHAW. Thank you, Mr. Canterbury. Ms. Harrison?

STATEMENT OF TERESA HARRISON, DIRECTOR OF GOVERNMENT RELATIONS, STATE TEACHERS RETIREMENT SYSTEM OF OHIO, COLUMBUS, OHIO, AND CHAIRMAN, COALITION TO PRESERVE RETIREMENT SECURITY

Ms. HARRISON. Good afternoon, Chairman Shaw, and Ranking Member Matsui. My name is Terri Harrison. I am the Director of Government Relations for the State Teachers Retirement System of Ohio. I am testifying today, however, in my capacity as Chairman of the Coalition to Preserve Retirement Security. I also realize I am the only thing that stands between you and lunch, so I will keep this short.

[Laughter.]

On behalf of the Coalition, thank you for this opportunity to appear before you today to discuss the issue of mandatory Social Security coverage for public sector workers. Our coalition includes members from public pension plans, public employee and retiree groups, public employer organizations. The purpose of our coalition is to keep Social Security coverage optional for the over 5 million public workers outside of the program. We oppose forced Social Security coverage due to the immense cost to public employers and workers and the few if any pension improvement benefits deriving from that. While this issue has been around for decades, most recently, we were very pleased that the President's Commission to Strengthen Social Security made history by being the first commission to not recommend mandatory Social Security coverage in their report for Social Security reform. When the Social Security system was established in 1935, State and local government employees were not allowed to participate in the system. Beginning in the 1950s, they could elect to have their employees covered, and they were allowed to opt in or opt out. That opt out ended in 1983. As a result, many State and local government entities set up their own pension plans. For my own system in Ohio, the teachers, we were established 15 years prior to Social Security. So, the programs were

up and established and funded prior to Social Security even being available as an option.

As fellow testimony here has reported, the cost of Social Security on public sector employers, taxpayers, workers, is projected to be over $26 billion in the first 5 years, yet it only extends Social Security solvency by 2 years. Because of the significant impact on the States and locals, we are opposed to mandatory coverage. It would, in many cases, either reduce benefits, increase taxes or put in jeopardy the existing structure of those pension plans. Mandatory Social Security, as also has been said, would be felt in all 50 States, not just the large States such as Ohio, California, et cetera. There are pockets of public employees in every State that are not covered by Social Security. Some of the larger States such as Chairman Shaw's Florida would have a $340 million price tag in those first 5 years. For California, it would be $4.1 billion; for my own State of Ohio, it would be $4 billion in just the first 5 years.

Proponents of mandatory coverage have contended that applying the mandate only to newly hired workers would make it less of a hardship. This is not the case. Because of the way many of the systems are funded, as defined benefit plans, they rely on actuarial funding and a continuing revenue stream for new hires. So, as those new hires would be eliminated, the revenue stream from the new hires would be eliminated as well, increasing the cost on those already in the system. Given the state of budgets around the country, including my own State of Ohio, it is highly unlikely that our General Assembly members would be able to find additional contributions to maintain the benefit structure as it is. What would be more likely would be a reduction in benefits for public employees in those systems. Based on these facts, we strongly urge that forced Social Security coverage not be included in future reform packages. We understand that Social Security is an important program. All of us have family members and friends who collect from Social Security, but we urge, due to the impact on those State and local systems, the benefit to the long-term solvency of Social Security is really not enough to warrant the destruction of many systems that have existed for many years. I thank you for your time and would be happy to answer any questions.

[The prepared statement of Ms. Harrison follows:]

Statement of Teresa Harrison, Director of Government Relations, State Teachers Retirement System of Ohio, Columbus, Ohio, and Chairman, Coalition to Preserve Retirement Security

Chairman Shaw, Ranking Member Matsui and distinguished Members of the Subcommittee, my name is Terri Harrison and I am the director of government relations for the State Teachers Retirement System of Ohio. I am testifying today in my capacity as chairman of the Coalition to Preserve Retirement Security. On behalf of the Coalition, I thank you for the opportunity to appear before the Subcommittee to discuss the issue of mandating Social Security coverage for public sector workers.

While this issue has been around for decades, most recently, the President's Commission to Strengthen Social Security made history by being the first commission to not recommend mandatory Social Security coverage in their report for Social Security reform.

The Coalition to Preserve Retirement Security (CPRS) is a non-profit organization composed of members representing state and local governments, public employee unions, and public pension systems throughout the United States. The purpose of our organization is to assure the continued financial integrity of our members' public retirement systems. By successfully opposing efforts to mandate Social Security

coverage for all newly hired public employees we achieve the principle goal of our coalition.

Our 39 members are found in Alaska, California, Colorado, Florida, Illinois, Kentucky, Louisiana, Massachusetts, Missouri, Nevada, Ohio, and Texas and represent about 4.1 million public employees and retirees. They administer retirement benefits for nearly 12,000 public employers in these states.

In addition, our national associations and public pension unions represent more than 15 million public workers, five million of whom are outside of Social Security.

The Problem

Over the years, some have recommended bringing all public workers into the Social Security program. However, mandating that all newly hired public workers must participate in the Social Security system would create significant new cost pressures for the affected state and local government jurisdictions while providing only minimal benefit to the program.

These jurisdictions, with their own long-standing defined benefit retirement plans, would have to make difficult choices. Adding an additional 6.2 percent payroll tax per worker to the benefit costs of public employers could result in cutbacks to their existing defined benefit plans, cuts in government services, or even increases in taxes or fees to absorb the added costs. The disruption that would likely occur for these public jurisdictions and their workers seems a high price to pay for adding an estimated two years of solvency to the Social Security program. It is estimated that mandatory Social Security coverage would cost the affected states and localities $26 billion over 5 years. This additional financial burden on affected states could be an insurmountable budgetary hurdle particularly during these very difficult days of huge revenue shortfalls hitting virtually every state.

Background

When the Social Security system was created in 1935, state and local government employees were not allowed to participate in the system. Beginning in the 1950s, state and local government employers could elect to have their employees covered by the Social Security program and were allowed to opt-in or -out of the system.

In 1983, there was a major revision of the Social Security and Medicare laws, triggered primarily by a concern about the long-term solvency of these two trust funds. Congress decided not to require state and local employees who were outside the system to be covered, but did end the opt-out for public employees who had chosen to be covered.

In 1986, as part of the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”), Congress required universal participation in the Medicare system on a “new hires” basis, but chose to leave public employee retirement plans in place, and did not change the law with respect to Social Security.

In 1990, Congress enacted a law requiring that all public employees, not covered by a state or local retirement plan meeting specified standards, must be covered by Social Security. That law, adopted as part of the Omnibus Budget Reconciliation Act of 1990 (the “1990 Act”), ensures that all public employees will be covered either under Social Security or under a public retirement plan that provides comparable benefits. Today, about one-third of all state and local government employees, about five million public servants, are outside the Social Security system because they are covered by their employer’s public retirement plan. In addition, millions of current retirees from non-Social Security public pension plans depend on those plans for a significant share of their retirement income.

From 1994 to 1996, the Advisory Council on Social Security examined the mid-term and long-term solvency of Social Security and the Social Security Trust Fund. The panel submitted its report in January 1997 but there was no majority on the council for any single set of recommendations. Three proposals were put forth by different groups of members. However, a majority of the Advisory Council recommended mandatory Social Security coverage of public employees, although the three labor members of the council opposed this proposal “because of the financial burden that would be placed on workers and employers who are already contributing to other public pension systems.”

There is some evidence that the 1994–1996 Advisory Council had not fully considered the ramifications of such a dramatic change on state and local workers. In an April 1997 speech before the National Conference of Public Employee Retirement Systems, Edith Fierst, a member of the Advisory Council, said of the mandatory coverage proposal, “We did it primarily because it would be good for Social Security, not because it would be good for the employees. Our interest was that if people came into Social Security and began to pay the Social Security tax, that helps the Social

Security's trust fund, and they won't start to draw benefits based on those contributions for some years."

In 2001, as mentioned earlier, the President's Commission to Strengthen Social Security decided not to include mandatory coverage in its final report. This is particularly remarkable, since the late New York Senator Daniel Patrick Moynihan, a vociferous proponent of forced coverage, co-chaired the Commission.

Based upon the assumptions in the 2003 Social Security trustees' annual report, if left unchanged, the program will be insolvent—that is unable to pay all benefits owed—beginning in 2042. However, some experts warn that Social Security reform is needed soon. As so-called baby boomers begin retiring over the next decade, there will be increased pressure on the solvency of the program and by 2018 costs will exceed revenues, according to the trustees' report.

Accordingly, forcing newly hired state and local public workers outside of the Social Security program to participate is seen by some as an attractive way of generating additional revenues for the program in the short term. This position is flawed and, for the reasons discussed below, mandatory coverage should not be included in any Social Security reform package.

The Myth of Covering Just New-Hires: Covering Only New-Hires is Still Harmful

Proponents of mandatory coverage contend that applying the mandate only to newly-hired workers would make it less onerous for public employers—nothing could be further from the truth. Public sector defined benefit plans rely on a constant and reliable revenue stream in order to meet actuarial goals and provide a retirement benefit for plan participants at affordable contribution levels.

Proponents of this solution fail to understand that the normal cost of the existing retirement plan will increase as a percentage of payroll as younger members are eliminated from the plan. Thus, employers and new workers will not only have to add an additional 6.2 percent for the new payroll tax, but employers may also have to increase contributions to the existing plan or cut benefits. When states and localities are under extreme fiscal stress as they are currently, this added expense will create enormous burdens with negligible, if any, positive outcomes.

Mandatory Social Security Coverage Will Only Extend Social Security's Solvency by Two Years, But Could Destabilize Public Pension Systems Nationwide

According to a 1998 report by the General Accounting Office, "Social Security: Implications of Extending Mandatory Coverage to State and Local Employees," bringing newly hired non-federal public workers in the program would only "reduce the program's long-term actuarial deficit by about 10 percent and would extend the trust funds' solvency by about 2 years."

According to a 1999 study by The Segal Company, mandatory Social Security coverage could cause a reduction in employee and employer contributions to existing defined benefit plans, "which are an essential part of their actuarial funding. This could destabilize the existing plans on which current workers and retirees depend." The report continued, "Lower funding would not only have an impact on retirement benefits, but could affect disability and survivor benefits as well," which are often more generous than those offered by Social Security.

The Costs of Mandatory Coverage Greatly Outweigh the Benefits

As noted above, mandatory coverage would only add two years of solvency to the 75-year projection for the Social Security program. But, it would cost public employees, their employers and ultimately taxpayers nationwide more than $26 billion over the first five years, according to the Segal report. Mandatory Social Security would be felt in all 50 states and over time would add new beneficiaries to the program who would draw down benefits like other Social Security recipients, increasing financial pressures on the system.

The chart below illustrates how mandatory coverage would affect the home state of each Member of the Ways and Means Social Security Subcommittee.

Congressman	Home State	Employees Affected	5-Year Cost to Employees, Employers and Taxpayers
Clay Shaw (Chair)	Fla.	61,817	$340,002,664
Sam Johnson	Texas	515,751	$2,647,073,158
Mac Collins	Ga.	102,120	$512,375,928
J.D. Hayworth	Ariz.	11,908	$71,247,564

Congressman	Home State	Employees Affected	5-Year Cost to Employees, Employers and Taxpayers
Kenny Hulshof	Mo.	59,992	$307,459,512
Ron Lewis	Ky.	64,120	$359,832,512
Kevin Brady	Texas	515,751	$2,647,073,158
Paul Ryan	Wis.	46,579	$309,713,918
Robert Matsui (Ranking Dem.)	Calif.	903,027	$4,103,961,329
Ben Cardin	Md.	28,126	$194,296,602
Earl Pomeroy	N.D.	7,831	$41,640,094
Xavier Becerra	Calif.	903,027	$4,103,961,329
Stephanie Tubbs Jones	Ohio	921,404	$3,974,734,068
Subcommittee Totals [1]		**2,722,675**	**$12,862,337,349**
National Totals		**4,803,876**	**$26,021,562,331**

[1] Duplicate figures not included.
Source: "The Cost Impact of Mandating Social Security for State and Local Governments," The Segal Company, 1999.

Mandatory Coverage: Tough Choices for States and Localities

If all newly hired state and local employees are forced to participate in the Social Security program, their employers—state and local government entities—and policy makers will have to make difficult decisions on how to offset these new taxes.

According to the Segal report, these taxes would likely be absorbed through "tax increases, cuts in existing benefits and/or reductions in workforce and services," none of which are particularly popular and which would be met with strong resistance by the affected constituencies. In light of the recent downturn in the economy, states and localities are already facing huge deficits. Mandating Social Security coverage would severely exacerbate already troubled financial landscapes for jurisdictions across the country.

Hidden Impacts

Mandatory coverage could also undermine other benefits of public pension plans. These plans, in addition to offering sound and secure retirement benefits for public workers also provide valuable benefits that reduce pressure on federal government programs. These benefits are overlooked by mandatory coverage proponents.

For instance, certain classes of public sector workers have special needs that would not be met by the Social Security program. Safety workers, like police and fire, because of working conditions and job qualifications, retire earlier than other workers, often before age 62, the earliest age to receive a Social Security benefit. Consequently, if these workers no longer had their traditional defined benefit public retirement, they could be forced to retire from their public safety job but have little or no retirement benefits until reaching 62.

Public retirement plans also offer partial disability benefits, unlike Social Security. These disability benefits go a long way towards providing an income stream so partially disabled workers do not have to depend on public assistance programs.

Most plans provide pre-retirement survivor benefits. For children, Social Security's survivor benefits cease when the child turns 18. Many public plans provide benefits after that age has been reached if the child is a full-time student.

Early retirement, partial disability and survivor benefits are among the benefits specifically tailored to meet the needs of public workers that would be threatened by mandatory coverage.

Conclusion

Mandating Social Security coverage for all public sector workers would only create huge costs and burdens for public employers without contributing significantly to the solvency of the Social Security program. The least disruptive and most cost-effective solution would be to allow the well-established public sector retirement system to continue in its current form. It has proved to be a stable and financially sound system that ensures the retirement security of millions of public sector workers.

Chairman SHAW. Ms. Harrison, I will preface this by saying that Congress has to pay into both. Members of Congress have to pay both into Social Security and into a pension plan, and then, we are penalized even though we pay full Social Security like any American worker. That used to not be the case, and a lot of people do not realize that we did vote ourselves into it and did not get rid of the penalty either. What would be your thoughts with regard to allowing in those areas which have opted out of Social Security and have opted for their own pension, the people in those programs to continue to pay into Social Security if they wished?

Ms. HARRISON. Usually, it is an employer decision and——

Chairman SHAW. What if we made it an employee decision?

Ms. HARRISON. An employee decision? Well, that would still have a significant impact on the funding of the State systems, because most of them are defined benefit, so they are actuarially funded. It is very similar to the argument for defined contribution plans that has become quite common around the country.

Chairman SHAW. So, it sounds like you are making the same argument that I would make: if they, say, let people opt out of Social Security, we would have a huge problem.

Ms. HARRISON. I understand.

Chairman SHAW. Maintaining benefits, and you are saying that if we allow people to opt out of the pension, that the pension plan would have trouble maintaining benefits—of course, I would assume that in Ohio, anyway, that the employee benefit plan is much more attractive to the employee than Social Security would be.

Ms. HARRISON. Chairman Shaw, that has been the case in the years since 1920.

Chairman SHAW. What would be your thought if we allowed the employee to voluntarily pay into the Social Security plan without opting out of the State pension plan?

Ms. HARRISON. Chairman Shaw, if it were possible for employees to elect on an individual basis to pay an additional tax in order to participate in Social Security, but it would not have an impact on the contributions funding the State plans, I do not know that the system would have a position opposed to that, as long as it was a voluntary position by the member, that it would be out of their own pocket. Our only problem would be a mandate on employers.

Chairman SHAW. I see; I understand what you are saying. To all the panel members, the GPO and the WEP have been law for roughly 20 years, yet many are shocked to learn of their existence when they are ready to collect benefits. I might say that this is largely because of the problem of communication between the SSA and the employee. When you get your statement each year saying what you are eligible for, then, when they really get down to figures, I would say, whoops, we have got a huge problem here. Are you educating all of your members as to these provisions? I think that is tremendously important. Well, I know in Texas, you are. Good grief!

[Laughter.]

Ms. HASCHKE. Guilty as charged.

[Laughter.]

Chairman SHAW. Is the information complete and accurate? I ask this, because there is a statement on the NEA website this

morning that said—and listen to this; this is a direct quote: "while retired public employees have their Social Security or survivor benefits reduced, non-public employees with private pension plans get to keep their entire pension and receive their entire Social Security or survivor benefits," end of quote; which SSA's testimony clearly shows that this is inaccurate, and it is misleading. I would simply say that we can have a good debate, but we need to be sure that the information that we are giving out is accurate and complete. This Congress, you know, we do work, and Mr. Matsui and I, occasionally, we do work together. We try to do what is fair and maintain fairness, and I think this has been a good hearing. If we could keep our testimony, and the testimony of this panel of witnesses, I think, has been excellent, and I complement all of you for keeping it that way, but we need to be sure that all of the facts are out there. If somebody is in a private pension plan, they still are paying into the Social Security Trust Fund, and they are Social Security workers, and they are classified as such. It is important to realize that the public employees in some areas have opted out of the system and have their own pension plan. So, there is a difference if you paid into Social Security and have not paid into Social Security. Basic fairness has to be part of what we are talking about. So, someday, but not too soon, I hope, I will be joining my friends at NARFE and probably be up here asking for more money, too.

[Laughter.]

Maybe we can, and as you, Mr. Fallis, correctly pointed out, I have addressed that in legislation, but it is very broad legislation which pays for itself, even though Mr. Matsui says I am going to borrow money until 2060-something. We do pay it back. We do maintain benefits, and we do increase benefits in particular for many of the retired employees. Mr. Matsui?

Mr. MATSUI. Mr. Chairman, I just want to take this opportunity to thank you very much for holding this hearing. I really appreciate it. A lot came out of the hearing. A lot of folks contributed, and certainly, the issues are fairly well laid on the table. So, I want to thank you very much. I want to mention to the panelists here, first of all, thank you for your testimony; but second, I think it is important that you know this, and I learned this today myself; I was not aware of it, but both the GAO individual and also Mr. Wilson on behalf of the SSA spoke of it. In the President's budget, which he offered to us in February of this year, there is an increase in revenues that will be projected over the next 10 years of $2.2 billion; in fact, in Mr. Wilson's testimony on page 2, in paragraph 7, he said this change will improve our program stewardship and reduce program costs by an estimated $2.2 billion over the first 10 years. Bear in mind what he means by that: he means that they are going to have greater enforcement of the WEP and the GPO; and so, as Mr. Pomeroy and Mr. Cardin have said, this means that they are going to actually expand the number of people that they are going to be hitting on your behalf, so you need to tell your membership that not only has Mr. Shaw mentioned that this is alive and well but also that there is going to be greater enforcement of the provision. So, you came here with the idea of getting some relief. You may be leaving, having found that actually, if the Administration gets its way, they are going to raise $2 billion more from your con-

stituency group. You just need to let them know that if you want to solve this problem. Any comments on that? If there are, fine, but I just wanted to let you know that this is not an issue that is just going to fade away. You are going to find more of your members hit by this.

Chairman SHAW. Okay; well, to follow Ms. Harrison's lead, we are going to lunch. Thank you. Oh, I am sorry, Mr. Brady. I did not see you come in. Go ahead. I apologize.

Mr. BRADY. No, no, I will be brief. Thanks, Mr. Chairman, very much. I apologize. I had to step out for a moment. I agree that Social Security and retirement pensions just are not enough. Unfortunately, Social Security was not designed as a retirement plan but to lift seniors out of poverty. Unfortunately, over the years, it still stayed that way, and I think these issues really beg the need for reforming Social Security, and I think of teachers and other government workers who if they could have put their money aside in a retirement plan way back when and let that money grow for them each year and have their own nest egg today that they can control, how much better off we all would be. I want to make a point. I do have, Mr. Chairman, a number of letters and e-mails from my constituents, especially focused on WEP and the need to modernize that. Just for the record, I need to let you know that I oppose repealing GPO because when we really look at identical families in America, we cannot justify treating those with government pensions so much better than families with Social Security when they have worked as hard, when they have made the same contributions, when they have the same retirement.

We are just not going to have two classes of citizens in Social Security. I do support your comments and approach on the WEP. I know why it was put in place. It makes perfect sense. I think the times have changed. I think if you have earned two retirements, you should get two retirements. When I look at especially our teachers in Texas, those coming into the State who we are glad to have in our education system really get hurt. Those who have held summer jobs or second jobs throughout their careers, which many teachers do, because we do not pay them enough, they get hurt by it. I think that really makes it harder—would you not agree?—to recruit new people into the education system, because it is becoming more and more understood just what kind of approach this is. Mr. Chairman, all I would, I think, ask is that I took a look back almost 30 years ago to a report that many of our teacher groups were making then about asking Congress to find a way to make teacher retirements more portable, so in a mobile society, teachers and others would not have to worry about losing parts of their retirement. I think whether we repeal WEP, or we modernize the formula, or we take a look at trying to differentiate those on very low incomes whom we bump the formula for versus those who have a second job and are in a different situation, perhaps trying to differentiate from that, I actually see two or three approaches that the Committee might want to pursue to try to modernize WEP for today's society. With that, that was the only comment I wanted to make other than to thank the testifiers for being here today.

Chairman SHAW. I think we have learned a lot today, and I think that, the pension offset, whether people believe it is because

of private pensions or it is because of Social Security itself, I had an awful lot of mail from people on Social Security who have found that the survivor benefits were not there, and that is all they had, and found that that was not there, and it came as a real shock. I would like to solve it for everybody, but you saw the price tag that was given by Mr. Wilson. I think he said half a trillion or $500 billion. We cannot do anything that is going to expedite the demise of the Social Security system. The Social Security system, and I will say that now that Mr. Matsui is out of the room, and I can do it without his coming in chiming in, but we are going to run short of cash. There will not be enough cash paid in to pay benefits beginning in 2017. We have to be very much aware of that.

Sure, we are not going to run out of Treasury bills until 2040-something, but the Congress is struggling to maintain these benefits, and we need to really start talking about it and working on it. There are some things that will address some of the concerns that have been raised here today, and we can do it by legislation. I do not want anybody to leave here thinking that we have the resources with which to grant everything that has been complained about and that people are concerned about; you see testimony such as Ms. Williams or Ms. Haschke, as she has read certain letters. We all want to do a better job, and our hearts go out to everybody, but we also have to be fiscally responsible. My job as Chairman is to be the gatekeeper on some of this legislation. I whispered to Mr. Matsui, I said what are you going to do if you became Chairman of this Committee. I will not tell you what his answer was.

[Laughter.]

It would not be fair. Being the Chairman of a Committee or a Subcommittee in the Congress is a great honor, but it is also a huge responsibility. Sometimes, you have to act differently than if you were just a Member of the Committee or if you were in the Minority. So, it is a tough job, but nobody makes us do it. We like the public service that we are in also, as you and your Members have enjoyed the public service that you are in. We will continue to work with you. I think that we have certainly today displayed our sensitivity to the issue, our openness to suggestions, and I thank all of you; you were a very fine panel. I appreciate your kindness and civility in addressing this Committee, too. Thank you very much. Hearing adjourned.

[Whereupon, at 12:22 p.m., the hearing was adjourned.]

[Questions submitted from Chairman Shaw to Mr. Fallis, Ms. Williams, Ms. Haschke, Mr. Johnson, Mr. Canterbury, and Ms. Harrison, and their responses follow:]

[The information from Ms. Williams was not received at the time of printing.]

Question from Chairman E. Clay Shaw, Jr. to Mr. Charles L. Fallis, Ms. Donna Haschke, Mr. William J. Johnson, Mr. Chuck Canterbury, and Ms. Teresa Harrison

Question: The GPO and WEP have been law for roughly 20 years, yet many are shocked to learn of their existence when they are ready to collect benefits. Please describe the efforts of your organization to educate members on these provisions. If your organization is not engaging in widespread member education campaigns, why not? How would you explain why so many members are unaware of these provisions until retirement?

Mr. Fallis's response:

NARFE has been advertising the existence of these two provisions and advocating their repeal or reform for more than two decades. We began educating our members when the omnibus Social Security refinancing and reform bills were originally introduced in Congress, in 1977 and 1983, respectively. We have published numerous informational articles in *NARFE* magazine (formerly *Retirement Life*), including specific examples of how and by how much the provisions could impact one's planned retirement income. We have developed, and continue to distribute, publications and pamphlets to our own NARFE members, urging them to share the information with others who may be affected now or in the future. We sometimes conduct, and often provide pertinent information for, federal pre-retirement seminars. We always highlight the adverse impact many workers nearing retirement may expect from the GPO and the WEP. NARFE representatives often staff a booth at federal and postal organization conferences, local senior fairs across the country, specifically targeting seniors and federal employees to warn them about these offsets. The GPO and the WEP are two of three legislative priority issues for NARFE.

In 1991, NARFE organized the Coalition to Assure Retirement Equity (CARE) to both inform individuals about the GPO and work to reform it. Today, CARE consists of fifty organizations that represent millions of public service members who are or will be affected by the GPO and/or the WEP.

There is such a significant number of affected retirees who are not aware of the GPO and/or the WEP until after they retire, or even until they apply for Social Security benefits, because their personnel officers or agencies neglected to inform them of the offsets. The pre-retirement seminars they may have attended were either not providing them with the necessary warnings or information, or they were provided it too late to make a change in their retirement planning.

Ms. Haschke's response:

The NEA has and will continue to alert members about the adverse impacts to them from the GPO and WEP. NEA has conducted briefings throughout the nation to inform affiliate members of this issue. In addition, NEA maintains a dedicated section on its Web site that informs members of GPO and WEP as well as latest legislative news concerning this issue. NEA has a dedicated cadre of members devoted to disseminating information and supporting legislative efforts addressing the GPO and WEP. NEA also dedicates time at its representative assembly to inform all members about the negative consequences associated with the GPO and WEP.

TSTA has had many opportunities to educate our members about the GPO and WEP over the last several years and we have done so and will continue to do so. Twice yearly at all member conferences we have presented workshops that are very well attended by members from all areas of the state. We regularly publish articles in our all-member publications, especially the *Advocate* which reaches all members five times yearly. We have information on our Web site with a link to the NEA Web site, as well as on our *Briefing* that is sent automatically to all members whose e-mail addresses we have acquired. We recently helped sponsor a Social Security forum in Houston that drew over 500 school employees from that area. Rep. Kevin Brady's staff attended the forum. Additionally, our Governmental Relations staff person, Jack Kelly, has presented regular workshops at our yearly NEA Western Region conference that includes members from nine states.

As to why many people are unaware of the existence of the GPO and WEP before they retire, we believe that young people, eager to be hired, do not know the questions to ask when they are interviewed. Too often the school district does not provide the information unless it is specifically requested.

Mr. Johnson's response:

Each of the past 15 years, NAPO hosts an annual pension and benefit seminar for public employees. Social Security, WEP and GPO are almost always on the agenda. This seminar is heavily advertised in the police community, and we welcome employees, employers, managers, pension trustees and administrators. Attendance is usually several hundred persons. NAPO also participates in several coalitions in Washington, including the Coalition to Preserve Retirement Security, where we hold the public safety employees' seat on the executive committee. We also make an effort to reach out to our members on this issue by including information on our website, in our quarterly meetings, and in our newsletter.

Part of it is human nature, employees in all walks of life put off worrying about retirement issues because it often seems not to be an issue of immediacy. Part of it is that these particular provisions are complicated and are not intuitive or commonsensical, they fly in the face of what most people understand Social Security to be, and how Social Security works.

Mr. Canterbury's response:

Members of the Fraternal Order of Police are aware of these provisions and the National F.O.P. continues to educate its members about the potential negative impact that these benefits cuts can have on their retirement plans.

In August 1997, the delegates at the 53rd Biennial National Conference, adopted a resolution making the repeal of the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) a top legislative priority of the F.O.P.'s National Legislative Program. This was due in large part because of the success we have had in making our members aware of the reductions they face when they become eligible to apply for Social Security benefits. Since that time, the F.O.P. has been very involved in supporting various pieces of legislation in an effort to correct the unfairness of the current law and regularly update our membership as to our efforts. Our organization has also testified on this issue before the Subcommittee on Social Security in three of the last four Congresses: May 1998, June 2000 (submitted written testimony), and May 2003.

Ms. Harrison's response:

As a coalition, our primary focus has been on the possibility of mandatory coverage of state and local government employees. Only recently has CPRS expanded its mission to include advocacy of GPO reform. To that end, we have produced a brochure explaining the issue, its history and the possible reform options. Frequent mention of GPO has also been made in the CPRS newsletter and on the coalition website. Mandatory coverage, however, remains our primary focus.

Individual members of the coalition have handled education of their members in various ways. As an example, my own employer, the State Teachers Retirement System (STRS) of Ohio, has tried to educate Ohio's teachers about both GPO and WEP using an assortment of tools. STRS Ohio publishes quarterly newsletters for both active members and retirees. Explanations of GPO and WEP appear in these publications quite often. The system also provides a number of educational seminars and workshops for members to assist them in planning for their financial future. Both GPO and WEP are included in the curriculum. In individual counseling sessions and correspondence with our members, we provide the GPO and WEP explanatory sheets produced by the Social Security Administration.

I have been with STRS Ohio for 21 years. It seems to me we have been talking about GPO and WEP with members for all of that time and longer. I think the problem of lack of awareness by workers is one of human nature. Until something affects us directly, we tend not to pay attention to it or read the information provided about it.

Question from Chairman E. Clay Shaw, Jr. to Mr. Charles L. Fallis, Ms. Donna Haschke, Mr. William J. Johnson, Mr. Chuck Canterbury, and Ms. Teresa Harrison

Question: Do you believe the Social Security Statement misleads many public employees? If so, what changes to the Social Security Statement would you recommend?

Mr. Fallis's response:

While the Social Security Statement may not intentionally mislead future beneficiaries, the two minor references (page 2 and page 4) to the offsets and who is affected by them are general at best, and, I believe, easily overlooked by the vast majority of individuals who look first and foremost for the "estimated benefits" amounts cited. Nowhere does this statement issue a warning to public service employees, nor does it provide them with an estimate of the amount of their expected Social Security income they stand to lose if affected by the GPO or WEP. When they visit their Social Security district offices to enroll or get further information, they often encounter representatives who do not have enough information to be of assistance. I recommend specific training of the Social Security managers and representatives on the offsets; their effect on one's Social Security benefit and how they can assist individuals in calculating their expected income. There should be an exchange of information between the Office of Personnel Management (OPM) and the Social Security Administration (SSA) in order to alert beneficiaries on this income reduction years before the scheduled retirement date. Agency human resource offices should take a more active role in informing employees early in their careers about the possible effects of the GPO and the WEP.

Ms. Haschke's response:

Yes, the statement is misleading. One recommendation is that a disclaimer should be added alerting employees in GPO and WEP states that their benefits could be adversely affected. This is especially true for second career teachers and public employees who have worked in the private sector, paid into Social Security, and do not know the impact the GPO and WEP may have on their retirement benefits.

Mr. Johnson's response:

I do not think the statement is deliberately misleading, however, specific attention perhaps ought to be drawn to the potential impact of these provisions on the recipients.

Mr. Canterbury's response:

The Social Security Statement is not misleading, but it is not entirely clear as to the individual impact of the GPO and WEP benefit cuts, nor does it indicate if the individual is affected by them. The language on the sample Social Security Statement on the website of the Social Security Administration related to this point is as follows:

"(3) Your benefit amount may be affected by military service, railroad employment, or pensions earned through work on which you did not pay Social Security tax. Visit *www.socialsecurity.gov/mystatement* to see whether your Social Security benefit amount will be affected."

The affected employee must research how his benefits will be affected, and he may not do this until he begins to plan his retirement at the end of his working career.

The F.O.P. would advise making the information on the Social Security Statement more clear by emphasizing that State and local employees face a reduction in Social Security benefits. Perhaps a supplemental Statement, similar to the special insert provided to those aged fifty-five (55) and older, could be provided to all State and local employees, explaining how the WEP and GPO will affect them and their families.

Ms. Harrison's response:

The coalition has heard anecdotal evidence of public employees being misled by the Social Security Statement. State and local government workers who will be affected by GPO and WEP receive benefit projections in the statement that do not reflect their special situation and are, thus, inflated. The only hint in a four-page document that the estimates may be inaccurate is a cryptic sentence that cautions that, "Your benefit amount may be affected by . . . pensions earned through work on which you did not pay Social Security tax" and an instruction that the reader log on to the Social Security Administration Web site. This simply is not enough. People look at the dollar projections, not the 2,500-plus words of fine print.

While it is probably not possible for SSA to account for the effects of GPO and WEP in the benefit projections sent to workers who will be affected by these measures, it should provide the caveat about possible benefit reductions more clearly on all statements. At the very least, the sentence quoted above should be recast to reflect that government workers may experience sharp decreases in benefits and it should be prominently displayed directly above or below the benefit projections, not buried in text, as is now the case.

It is worth noting that SSA does provide good information about GPO and WEP on its Web site. This, however, is unlikely to have the same impact as information that is mailed directly to people's homes.

Question from Chairman E. Clay Shaw, Jr. to Mr. Charles L. Fallis, Ms. Donna Haschke, Mr. William J. Johnson, Mr. Chuck Canterbury, and Ms. Teresa Harrison

Question: Most of the organizations testifying at the hearing advocated repeal of the GPO and WEP. However, this would be extremely costly and would cause Social Security to run cash flow deficits and exhaust the trust funds more quickly. Given Social Security's and the government's financial pressures, are there other options for reform that you could support?

Mr. Fallis's response:

As stated in my testimony, NARFE supports repeal of these offsets. However, we are cognizant of the political and fiscal cost of repeal. That is why I concluded my statement by stating, "But change is essential and can no longer be put off. We must get legislation reported out and onto the floor of the House to allow Members of Congress to debate and decide this issue." Toward this end, I reiterate my pledge

that "NARFE stands ready to work with you and the Members of this Subcommittee to find an acceptable solution to this growing dilemma in the Social Security system." Several years ago Congress elected to repeal the Social Security earnings test for those 65 and over, in consideration of a changing society and workplace needs, despite the considerable cost to the System. Today, Congress should review the relevance and hardships imposed by the admittedly arbitrary offsets of the GPO and the WEP, recognizing that fairness is not always free.

Ms. Haschke's response:

NEA and the TSTA support full repeal of the GPO and WEP. The reason most organizations testified for the repeal of the GPO is because of the inequity of benefits being denied to the spouses of public employees. Part of the reason Social Security will have cash flow problems in the future is because the federal government has repeatedly used Social Security funds for other programs and to balance the budget rather than allow them to accrue the necessary benefits that will need to be paid.

Mr. Johnson's response:

NAPO recognizes the difficult decisions to be made. As our written testimony indicated, we have supported (and do support) efforts to modify the GPO and WEP, lessening the severity of their impact, while we look forward to a day when both provisions may be entirely done away with.

Mr. Canterbury's response:

The Fraternal Order of Police appreciates the complexity of this issue and the financial pressures faced by the Social Security trust fund. However, we do not see any compelling reason why State and local employees should have their benefits cut because a Federally mandated program is managed into periodic solvency crises. Nor do we agree that restoring fairness to the system spells fiscal doom for the Social Security trust fund.

It is not right or fair to perpetuate inequitable reductions on benefits earned by public employees in order to extend the life of the trust fund for a few extra years. After all, the State and local governments who chose not to participate in Social Security did not create this problem, nor did the employees who do not pay into the system. Penalizing them is not a solution in the long or short term.

Any Social Security reform considered by Congress must include a repeal of the GPO and WEP and must reject any scheme to mandate participation in Social Security by those local and State government employees currently outside the system.

Ms. Harrison's response:

As an organization, CPRS remains concerned first and foremost about the far greater impact on state and local governments and public employees from mandatory coverage. That being said, we also understand the detrimental impact that GPO, in particular, has on retirees, especially women, at the lower end of the income scale. CPRS would support some adjustment to the GPO formula that would lessen the offset for those lower-income retirees. We fully understand that this is an issue for both public and private sector workers.

Question from Chairman E. Clay Shaw, Jr. to Mr. Charles L. Fallis, Ms. Donna Haschke, Mr. William J. Johnson, Mr. Chuck Canterbury, and Ms. Teresa Harrison

Question: Public servants feel they are treated unfairly under Social Security because they are paying into a public pension instead of Social Security. However, your organization, and others that testified, opposed mandatory Social Security coverage for newly-hired State and local workers for several reasons, such as the government pension plan meets employees' special needs, especially with regard to early retirement, and mandatory coverage could jeopardize the pension plan's funding. What would your organization think about allowing State and local workers in jobs not covered by Social Security to voluntarily choose Social Security coverage on an individual basis, where employees would pay both the employer and employee portion of the payroll tax?

Mr. Fallis's response:

NARFE does not have a position on mandatory Social Security coverage and did not reference this non-applicable issue in our testimony.

Ms. Haschke's response:

NEA's support of full repeal of the GPO and WEP should not in any way be interpreted as support for requiring public employees to participate in Social Security. NEA strongly opposes mandatory or voluntary coverage. Mandatory or voluntary coverage of public employees would also increase the tax burden on public-sector employers. These increased tax obligations would lead to difficult choices, including reducing the number of new hires, limiting employee wage increases, reducing cost-of-living increases for retirees, and reducing other benefits such as health care. Mandating or allowing voluntary coverage of public employees will not solve the Social Security system's financial difficulties. The amount of money gained by mandating or allowing voluntary coverage would be relatively small and would not solve the long-term Social Security crisis.

Mr. Johnson's response:

In general, we would oppose this idea. We believe that many employers would exert pressure on employees to opt in, believing that this would save the employer money. For the vast majority of our members, it would also be a foolish choice, frankly, to forego the benefits of the average police retirement system in exchange for Social Security coverage.

Mr. Canterbury's response:

Public employees feel they are treated unfairly, not because they participate in a public pension plan, but because Federal law cuts their benefits significantly if they worked or choose to work in a second job or career in which they were forced to pay a Social Security tax on that income. It should be no surprise that public employees are angry when they discover they cannot receive the full amount of the benefit for which they were taxed.

The Fraternal Order of Police does indeed oppose mandating participation in Social Security for those currently outside the system. The President's Commission to Strengthen Social Security (CSSS) rejected the mandatory participation scheme in its final report issued on 21 December 2001, and we believe Congress should do likewise.

To answer the last part of your question, I do not understand how allowing State and local employees the option to pay both the employee and employer portion of the payroll tax, which amounts to an additional 12.4%, in order to participate in Social Security solves the problem for those employees who elect to remain outside the system. These employees would still be penalized if they worked in a second job or had a second career in which they were forced to pay into Social Security because the WEP and GPO would still apply.

I am concerned that Congress continues to look for ways to save money for the Social Security system by cutting benefits earned by State and local employees and to increase the amount of revenue they can generate from these employees. State and local employees are not a cash cow to be milked for the Social Security trust fund. The Federal government must find a way to honor their commitment to these men and women, not find a loophole to accrue "savings" at their expense.

Ms. Harrison's response:

CPRS has not considered a situation where it would be possible for employees to elect, on an individual basis, to pay the 12.4 percent tax in order to participate in Social Security while continuing to make their full contribution to their state or local pension system. The critical issues would be 1) that there be no obligation on the part of the employer or the public pension system to fund any of the employee's Social Security contribution; 2) that the employee not be permitted to opt out of the public pension system; and 3) that individual employees' participation in Social Security not have a negative impact in any way on the funding of state and local pension plans or on the other members of the plans. We would have a major concern that individual participation could be the first step toward mandating coverage in the future for all public employees. Given this concern, together with the inability of the vast majority of public employees and employers to accept this additional financial obligation, CPRS may well oppose voluntary participation on an individual basis.

[Submissions for the record follow:]

Statement of Paula Adams, The Woodlands, Texas

Thank you for giving those of us who have worked both in the private sector and in public service a chance to voice our objections to the WEP, which for me totally eliminates any Social Security I have earned in the 21 years of working full and part time (mainly teaching) outside the public school arena. I feel that it is an injustice to me to have paid into both systems only to find out that I cannot collect from Social Security. The way I have split up my employment between public and private sectors, I will not have enough money to even subsist on only my teacher retirement (20 years service credit in TRS). I feel that I have been misled and treated unfairly, considering the fact that I have not made enough money during my career to have a substantial saving upon which to draw upon for retirement. Those of us who have gladly given up a great deal in order to work in a public service capacity should not be penalized for doing so. Thank you again for looking into this injustice.

Statement of Anna Allebach, Houston, Texas

I am a school librarian at the Spring Branch Education Center in Spring Branch ISD. This is my 17th year in education and I have completed my 40 quarters in the private sector. I sincerely request that you help me as I have been a productive, contributing member to our society.

Presently I qualify to receive social security benefits two ways. As mentioned above, I have completed 40 quarters of work in the private sector. I also am a widow of nine years who has raised a child by myself. This has been no small task as my child has been diagnosed with Attention Deficit Disorder and mental illness. I have worked hard to take care of her and to provide for her future so that she will not be a burden on society. I have also prepared for my retirement by securing income from both social security and teacher retirement. Now, there is legislation to remove the income I am depending on for my future retirement.

If you had told me that I would not be allowed to collect both when I retired, I would say that I had selected that option and I must face the consequences of my actions. But, that was not the case. I worked all those years preparing for my retirement, and now the government is trying to rob me of my hard-earned benefits. When I ran a company, I led by example. Are the representatives and senators willing to be good leaders and reduce their retirement benefits by at least one-third?

If the government decides to remove my benefits, it should at least return all the assessed money plus interest it has deducted from my paychecks. I had no option in contributing and that is my money. I will gladly invest it so that I can have additional income when I retire.

Also, if I use all my savings, there will be no money left for the care of my child when I am deceased. The government will have a penniless person to support in an institution. Is that effective money management?

I think our government needs to think twice about the long-term consequences of its actions regarding the GPO and the WEP. Today's quick fix may be tomorrow's horrendous headache.

Statement of Judith Faith Almond, Spring, Texas

I have taught in Spring ISD for 25 years. I have worked hard enough to earn teacher of the year recognition in my school and at the district level. I have loved my work. I will retire in 3 years.

After retirement, I have to get a job so I can eventually have Medicare coverage because, after all of these years teaching in Texas, I will retire without any.

I have two questions. What is wrong with this picture? What can we do to fix it?

Statement of Andrea Andrews, Houston, Texas

Thank you for giving me this opportunity to write to you. I am a 47 year old single mother of two children. Teaching is my second career. This is my 18th year with my school district. I work at a high school for at risk youth. Prior to working for my school district I worked in private industry, paying my Social Security taxes. I chose to become a teacher when my children were in elementary school. I main-

tained my full time job while taking the necessary classes to earn my teaching certificate.

I have never had a time in my life, since the age of 15, that I was not working and paying taxes (including Social Security). As the oldest of five children (my mother was a single parent and a teacher), I often worked two and sometimes three jobs in order to pay my way through college (while paying my taxes including Social Security). I worked up to the time of delivery of each of my children and returned to work as soon as my doctor released me (while paying my taxes including my Social Security). As a divorced parent I have always had to maintain a second income. I have worked nights, sometimes until 4:00 a.m. taking inventory (paying my Social Security tax); I have taught GED classes for court appointed chemically dependent youth (Social Security was deducted from my paycheck), and I have worked for a private company tutoring adults for their GED (Social Security was deducted from my paycheck).

I make these points because I have paid my taxes to Social Security. According to an email that I received from Kay Bailey Hutchison, "The Windfall Elimination Provision (WEP) was enacted in 1983 to remove an unintended *advantage* that workers would receive if they earned full benefits from both **their non-Social Security-covered employment and from Social Security**." Windfall is a noun that means unexpected. ***I*** paid into my Social Security and ***I expected*** to receive it. "I did not win the lottery!" People who work in private industry receive both their retirement money from their companies as well as their Social Security! The difference is that our retirement money goes into TRS (we do not have a choice) instead of a 401K plan, and we earn much less interest on our TRS than in a 401K. For your Committee to take away my Social Security benefit, that I have earned, is ***STEALING***!

Why have you targeted teachers, civil servants, who can least afford to retire at any age, to hurt financially? (Our retirement is certainly less than members of Congress.) Where in private industry does a person have to work until their age plus their years of service have to equal 80 before they can retire at full benefit? Additionally, our salaries are so low, that most of us cannot afford to invest in other types of retirement accounts. Most of us will never retire; we will gradually be reclassified into undesirable positions until our positions are eliminated. Welfare has never been a part of my vocabulary and I certainly don't want it to become a word in my vocabulary in my retiring years.

This May will be the last time I receive a child support check ($300.00). My oldest child is my daughter who is in her second year of college. Her career plan ***was*** to become an elementary school teacher. Because you have chosen to treat teachers like second class citizens, she has changed her career choice. Additionally, she has made it her business to keep her many friends (many of whom **intended** to become teachers) informed as to the latest developments in the attack on the teaching career. She has been working since the day she turned 16 (paying her taxes including her Social Security tax). Because I am a single parent, she must maintain employment in order to pay her way through college. She must live at home and commute. My teaching salary does not allow her to enjoy the benefit and experience of living on campus. On the other hand, it is my same teaching salary that prevents her from receiving the same financial aid that the children that I teach receive (because most of them are on welfare!). My second child is my son who is a senior in high school and thinks that I am already selling myself short by being a teacher. My purpose in telling you these things is to point out that we are already sacrificing financially in order to teach. This financial sacrifice has a trickle down effect. Our children are making alternative career choices. We teach because we have chosen to teach. We did not choose to be financially whipped. We should have chosen another career or should now choose to leave teaching? We should look for another state to teach in?

The state of Texas wants exemplary schools. You can't have exemplary schools if you do not have exemplary teachers. Private industry pays their best and their brightest, they do not use them as pawns to balance their budget!

Please do not vote for anything that will interfere with my ability to receive the Social Security benefits that I have paid into and am entitled to.

Statement of Diana Apsey, Houston, Texas

I am finishing my 27th year of teaching, 22 of which have been in Texas. Because I will retire from teaching here in Texas, I will lose a major portion of my social security benefits. Before coming to Texas, I taught for 5 years in Indiana where I paid social security taxes. While here in Texas, during the summer, I taught at Rice

University where I paid social security taxes. I have plenty of quarters to qualify for social security benefits—that's not the problem. Rather, simply because I teach in Texas, my benefits will be reduced because of something called "windfall." As if teachers ever are part of windfall!

My teacher friends in other states have both teacher pensions and full social security benefits. My aunt, who was a full-time homemaker, now gets half of her husband's benefit even though she didn't pay in at all! And yet, my benefits are going to be reduced because I'm going to retire in Texas! This bill is most unfair and should be repealed!

Thank you for listening. Please repeal this law so that teachers, police and firefighters across the country who are affected can enjoy the same benefits as their colleagues.

Statement of Karen Arduini, Rock Falls, Illinois

I have been teaching in Illinois for 11 years, but began my career in education later in life. I had a 20 year career in industry prior to switching to education and paid my fair share into Social Security. I have all my quarters paid and qualify for Social Security benefits when I retire. But, due to the Windfall Exclusion, my benefits will be drastically affected if not completely taken from me. I will, also, not be able to work all of the years required to receive full TRS benefits at retirement, due to starting teaching at an older age. I am really in fear of my position at retirement. Please, readdress this issue and realize the unfairness of depriving people of earned and paid for Social Security benefits simply because they are teachers. If a teacher never paid in to S.S., I can understand not qualifying, but the reasoning does not hold up for those of us who are paid up.

Other government employees receive both their retirement and S.S. benefits, such as military personnel and those under IMRF.

Thank you for your attention to this issue and for giving me a place to voice my serious concerns.

Statement of Harriet Arvey, Houston, Texas

Thank you for giving me this opportunity to write to you concerning the Social Security issues currently before you. I am a veteran educator of 27 years. I have dedicated the majority of my career in public service to working in schools with at-risk populations and have faced a variety of challenges.

I am eligible to draw from my ex-husband's social security in retirement and through my additional work, I have accrued enough quarters to qualify for Medicare benefit when I retire in a few years, but the Social Security offset will penalize these earnings. I never fully realized what this meant until a close friend retired from a career in education several years ago.

My friend spent many years working in the private sector and earned many quarters of credit with Social Security. She stayed home to raise her children for almost 20 years. When she returned to the working world after they were grown and she was divorced, she returned to a career working for the public schools. Since my friend entered the teacher retirement system so late in her career, she could not begin to have enough money for a comfortable retirement without working well into her 70's. Imagine her horror when she was told that she would receive far less due to the Social Security offset. She worked hard for every penny of both funds and foresaw a monthly income which would make every month a struggle. Just as she was set to retire, she had a catastrophic stroke and her family had to find a way to pay for a care facility and medicine as well as her other needs. Medicare funds were available because she had opted for the offset to ensure this. In the alternative scenario, she would qualify for Medicaid only after her modest savings were spent down.

Many of our newest recruits to education are people who have many years of Social Security income saved. In times when there are critical teacher shortages and we are trying to attract seasoned professionals with a diversity of experience to a career in the classroom we must make this choice attractive. How attractive is a second career in education, which forfeits these hard-earned funds?

In the next few years, many baby boom educators will retire. We do not feel that we are asking for funds that we have not earned. Our retirement income, modest at best, along with Social Security will simply make it possible for us to keep up with rising costs without penalizing us for many years of additional work. We are

proud of our years of service and want to remain self-sufficient. It is in the interest of Congress to help us in that goal. Please repeal the laws governing the GPO and WEP and consider real reform for Social Security.

Association of California School Administrators
Sacramento, California 95814
May 12, 2003

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
U.S. House of Representatives
Rayburn House Office Building, B–316
Independence Ave. & S. Capitol St., SW
Washington, DC 20515

Dear Mr. Shaw:

The Association of California School Administrators (ACSA) is pleased to submit the attached information for the May 1 hearing of the House Ways and Means Subcommittee on Social Security. We are submitting the attached testimony for consideration by the Subcommittee on the issue of mandatory Social Security and its affects on schools.

In the fall of 2001 the Hemet Unified School District in Riverside County, California submitted the attached testimony to the President's Social Security Reform Commission. This school district of 18,000 students estimated that requiring mandatory participation of new teachers and principals in the Social Security system would have an ongoing impact to the school district budget of over $2 million. This would be money that would otherwise be used to support direct classroom instruction and services.

The Association of California School Administrators opposes any reforms to Social Security that would require mandatory participation by California educators.

We appreciate the opportunity to submit this testimony to your Subcommittee on this important issue. If we can provide any further information, please contact us.

Sincerely,

Karen Stapf Walters
Assistant Director
Governmental Relations

A California School District's Response to the Proposal to Include the California State Teachers Retirement System into the Social Security System Being Considered by the President's Social Security Reform Commission

The Hemet Unified School District located in Riverside County serves 18,000 students in 20 schools throughout the rural and suburban communities within boundaries of approximately 730 square miles. Student enrollment reflects the ethnicity of the communities served by the District with 30 percent Hispanic, 3.5 percent African-American, 3 percent other minorities, and 63.5 percent White. 67 percent of the students reside in families that qualify for the Free and Reduced Lunch program. The District is growing at an annual 2 to 5 percent growth rate in student enrollment. During the past five years, over 60 percent of the current certificated personnel have been employed. During the 1999–2000 school year, the following chart describes certificated staffing and a higher than average state pupil, ratio.

Chart 1 Certificated Staff—1999/2000

	District		Statewide	
Full Time Equivalent Staff	**FTE***	**Pupils per FTE Staff**	**FTE**	**Pupils per FTE Staff**
Administrators	41.5	405.1	21,652.9	274.9
Pupil Services	45.5	369.5	19,886.7	299.3
Teachers	774.1	21.7	284,628.2	20.9

*FTE: Full Time Equivalent
Source: California Department of Education, Educational Demographics Unit—CBEDS

The proposal to include new certificated personnel into the Social Security System will have a significant negative impact on the District's ability to offer quality educational programs and services at a time of increasing demands from California's Education Reform and Accountability initiatives.

During this past year, the District's general fund budget reached $113,366,574, as presented in Chart 2. Prior to California's Education Reform and Accountability initiatives, the District received revenues with greater local discretion. This has changed significantly with funding being restricted to specific purposes.

Chart 2 Historical Budget

	Historic Budget	Historic Percent	Budget 2001	Percent	Difference
Revenue Limit Sources	$ 87,743,607	77.4%	$ 76,013,481	67.1%	$11,730,126
Federal Revenues	6,304,463	5.6%	6,519,660	5.8%	(215,197)
Other State Revenues	17,453,291	15.4%	23,551,883	20.8%	(6,098,592)
Other Local Revenue	1,865,213	1.6%	7,281,550	6.4%	(5,416,337)
Total Revenues	$113,366,574	100.0%	$113,366,574	100.0%	

The District's unrestricted budget reflects 82.9 percent for personnel salaries and health and welfare benefits. All other expenditures represent 17.1 percent of the budget.

The projected benefit cost increase for new certificated personnel to participate in the Social Security System is projected within eight years to have an ongoing impact of over $2 million in lost unrestricted revenues to support educational programs, services, and to maintain competitive personnel compensation programs.

The Governing Board at their September 4, 2001 meeting approved the 2001/2002, adjusted District Budget. The District expects to receive an increase of $4.8 million unrestricted revenue. However, anticipated increases in expenditures to fund the cost of utilities which has risen due to the "energy crisis"; the cost of the operation of a new school; additional cost of special education programs and services; and the cost of employing new teachers, and staff leaves only $364,000 available for unrestricted uses.

Chart 3 Unrestricted Salaries and Benefit Costs

Salaries and Benefits:	82.9%
All Other Expenditures:	17.1%

Chart 4 Projected Impact of Social Security System Participation

2002:	$ 198,216
2003:	$ 404,361
2004:	$ 618,751
2005:	$ 841,717
2006:	$1,073,602
2007:	$1,314,762
2008:	$1,565,569
2009:	$1,826,408
2010:	$1,097,680

Chart 5 2001/2002 Adopted Budget Revenue and Expenditure Summary

Unrestricted Revenue Increase—COLA	$2,890,000
Growth Revenue Increase	1,950,000
Total Projected Unrestricted Revenue Increase	$4,840,000
H&W Cost Increase	$1,380,000
Step and Column & Professional Growth	1,130,000
Energy Cost Increase	836,000
Growth Teachers and Staff	700,000
New School Startup	350,000
Special Education	80,000
Total Projected Expenditures	$4,476,000
Net Available for Salary Settlement	$ 364,000

A public school district is a human organization. To be successful, it must have the ability to attract and retain well-qualified teachers and other certificated personnel. In light of the teacher shortage, this proposal will exacerbate this problem by reducing our ability to attract teachers from outside California as well as within the state.

In closing, the Hemet Unified School District is representative of school districts in California that are maximizing all available resources to implement successful programs and services in response to California's Educational Reform and Accountability initiatives. This proposal not only will have a detrimental impact on those efforts but also goes contrary to President Bush's goal of improving public schools. Succinctly, this proposal "drills a hole in the educational boat" with the potential to sink our efforts to provide quality programs and services that graduate young adults who possess the knowledge and skills to be responsible, contributing members of our society.

Thank you for taking this testimony into consideration as you develop your recommendations for the President's consideration to reform the Social Security System.

Statement of Sheila Fields, Association of Texas Professional Educators, Austin, Texas

The Association of Texas Professional Educators (ATPE) represents more than 100,000 educators in Texas. We have been advocating for educators for 23 years and are currently the largest professional educators' association in Texas and the largest non-union educators' association in the nation. ATPE is committed to: advocating for better benefits for all educators; promoting a collaborative work environment; the right of individuals to choose the association they feel represents educators' interests; and providing the best education possible for the children of Texas. We encourage you, committee members, to consider the following issues as you determine the future of the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP).

ATPE supports amending the GPO, which reduces spousal and widow/er Social Security benefits for public employees that participate in public pension systems. We recommend that public school employees be excluded from the GPO. ATPE also supports amending the Windfall Elimination Provision, which arbitrarily reduces Social Security benefits for Texas educators vested in Social Security to exclude public school employees. ATPE also opposes mandating Social Security coverage for public school employees not currently covered as a means to address the controversy on these offset rules.

It is mandatory for Texas public school employees to participate in the state Teacher Retirement System (TRS) and contribute 6.4 percent of their pay to the system. Currently, only 45 of Texas' public school districts participate in Social Security. Therefore, the large majority of Texas educators do not work in jobs covered by Social Security and are affected by the GPO.

The state of Texas faces a teacher shortage approaching 40,000 and a drastic budget deficit projected for the next biennium. Several proposals being made at the state level to reduce benefits and compensation for both active and retired teachers coupled with almost 50,000 educators becoming eligible for retirement during the next decade will increase the number of vacancies in Texas classrooms exponentially.

ATPE believes that amending the GPO to exclude public educators will bolster teacher morale and encourage qualified educators to remain in the classroom. ATPE also believes that such an exemption could be touted as a benefit used to attract new educators to the profession. It is for these reasons ATPE supports any amendments to the Social Security code that lessen the effect the GPO has on public school employees, including the complete repeal of the GPO.

Similarly, the WEP arbitrarily reduces Social Security benefits for individuals who are fully vested in Social Security and are also eligible for a government pension such as TRS. The WEP was enacted to address inequities for individuals who worked in positions not covered by Social Security who benefited from the weighted formula used to provide low-income workers with a higher percentage of their preretirement earnings.

However, the WEP uses an amended formula to figure Social Security benefits based on the number of years a person paid into Social Security rather than the amount the person will receive from his government pension. That means that a person who worked in a Social Security covered job for 20 years and is eligible for

a government pension benefit of $500 per month will have his Social Security benefit reduced by the same amount as a person who paid into Social Security for 20 years but will receive a government pension benefit of $1,200 per year. Under this formula, a person who merely meets the minimum eligibility requirements for a government pension could face the full effect of the WEP.

ATPE believes this provision acts as a deterrent to talented, private sector employees who are vested in Social Security and are interested in pursuing teaching as a second career. Furthermore it arbitrarily punishes those who have worked to become vested in both Social Security and a government pension. ATPE believes that amending the WEP to more accurately accomplish its original intent, or exempting public school employees altogether would also serve as a useful tool to address the teacher shortage.

Finally, it has been suggested that mandating all public school employees to participate in Social Security would be an effective solution to the controversy surrounding the GPO and WEP. ATPE emphatically disagrees and opposes mandating Texas educators into the Social Security system. As previously stated Texas is facing a $10 billion budget deficit for the next biennium, and already several proposals are being considered at the state level to reduce benefits and compensation for both active and retired teachers. Texas is one of 13 states where Social Security participation is not required of all public school employees. In the 13 states where school employees are not covered by Social Security, contribution rates, retirement formula multipliers, and cost-of-living adjustments (COLAs) are higher than in Social Security states. These higher rates are established by state legislatures to make up for the lack of this important federal retirement benefit.

ATPE believes the additional fiscal demands that mandatory Social Security coverage would require of the state would ultimately be reconciled through smaller state contributions to the TRS and larger contributions from both active and retired educators. This would produce additional strain on an already overworked and under-appreciated profession and could have a devastating effect on the actuarial soundness of the TRS fund, reducing benefits for TRS members.

The impact your work could have within the teaching profession is phenomenal. Educators provide our future leaders with the tools necessary to become successful and independent. Please support amendments to the GPO and WEP that lessen the effect on our teachers while protecting the retirement benefits they worked so hard to secure and assist our districts in recruiting and retaining the best and brightest individuals to teach our children.

Thank you for the opportunity to provide this input.

Statement of Eldon R. Aupperle, Toulon, Illinois

I am a victim of the work discrimination in the fact that I am eligible for social security and have my benefits cut at least 50%. I've paid my Social Security taxes and deserve what I have earned—not 50%.

I support the passage of H.R. 349—Social Security Offset/Windfall. Please bring an end to this unfair and discriminatory policy that exists today. We worked hard for our retirement and deserve it the same as others.

Statement of Liz Baiardi, Trumbull, Connecticut

I've worked as a Ct. teacher for 17 years and as I approach my retirement, I realize that the money I earned by working a second job to put 2 children through college (and to which I paid many thousands of dollars—for social security) will not accrue to me due to the social security offset.

I will not receive a full Ct. teacher's pension and the social security offset will cut my social security to mere change! What has happened to the money I invested in social security, I ask.

This has been a lose-lose situation for me.

Please pass H.R. 594 or my hard lifelong labor will amount to a pittance.

Thank you.

Statement of James P. Balzer, Quincy, Illinois

I am writing concerning the discrimination experienced by retired teachers regarding Social Security Benefits. I worked as a Farmer and my wife as a nurse along with my experiencing a 30 year career in Education at the High School and Community College Level. My wife Pat and I worked in production agriculture, nursing and teaching, all of which are relatively low income services but these services are probably more important to a healthy society than a very high percentage of wage earners. We would appreciate receiving the benefits of Social Security earned from these services.

Statement of Patricia Bauman, Sun City Center, Florida

I taught school in Ohio for 34 years and then retired to Florida. It is very difficult to make it on my pension alone. I thought I would be able to collect social security from my husband. After all I was contributing through him as I was helping to pay our monthly bills. My sister who never worked a day in her life can collect social security. My neighbor who was raised in Germany and never contributed to our country can collect social security through her husband. I guess I shouldn't have devoted all those years to hundreds of children. I didn't encourage my own two children to be teachers as there is little money in it and no respect for what you do and give. It's a good thing I love children.

Think of the amount of money social security would bring into the state of Florida if those other 15 states could collect?

Please repeal the WEP offset.

Statement of Azel Hill Beckner, Bowling Green, Kentucky

We must protect the retirement pensions of all the people. The government workers deserve the same protection as the people in the private sector.

Statement of Mary Kathleen Benore, Sylvania, Ohio

I am writing in regarding the offset/pension situation. In November I received a letter from Social Security that they needed an update on my state pension which is $636.00 per month. I took it in to make sure everything was alright. When I applied for SS at age 65, I informed the lady taking my application that I was being divorced from the second husband in four months and that I had only been married to him for five years. She said not to worry because I could file on the first husband who had left me after 36 years for another woman. I always thought that I was collecting on the first husband, but found out when I went in to update that I was collecting on the second husband. I INFORMED THEM THEY WERE PAYING ME ON THE WRONG HUSBAND. They subsequently sent me a letter telling me I owed them $12,239.00. When I explained that I had told the original person taking the application they just held up their hands and said, "you can't prove we told you that, and we do not want to hear 'fair,' or 'whose fault.'" As a result my social security has been suspended for five years, and I will receive a bill for medicare quarterly. They explained that if I was poor they would not make me pay it back. I cannot just pay the difference in the two husbands' amount because they can only go back six months. THIS MEANS THAT FOR TEN YEARS I HAVE BEEN DENIED SOCIAL SECURITY ON EITHER HUSBAND. The important thing here is that they were already taking two/thirds of my social security because of the offset. It seems that abandoned wives who went to work instead of collecting welfare are being deprived simply because they chose to go to work and make their own way. I finally got a job after standing in the unemployment line for two years (sometimes all day and sometimes outside in the cold because they couldn't get us all in the building) with the county, then the state and lastly, the City of Toledo. PLEASE SIR, THIS IS NOT RIGHT. WE NEED THIS OFFSET CHANGED, ESPECIALLY IN A CASE LIKE MINE WHERE MY CITY PENSION IS ONLY $636.00 and I will not even be getting medicare except for paying it myself. I will be 76 years old in September. I was trying to get a job in the early 80's when Toledo and Detroit was virtually shut down. PLEASE HELP. My social security is only $146.00 per month to begin with, but I need it. Thank you.

Sebring, Ohio 44672
April 24, 2003

Representative E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
1102 Longworth House Office Building
Washington, DC 20515

Dear Representative Shaw:

I am writing to you concerning the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) because I am a victim of both—now the WEP and if my husband predeceases me, the GPO. I became a teacher at the age of 41 after working at various jobs under Social Security for 20+ years. I'm 64 years old and retired now. Little did I know the financial impact my decision to become a teacher at midlife would have on my retirement. I can only collect 40% of the Social Security I worked for and paid into for many years—a whopping $189.00 a month. Worse yet, if my husband dies before me, I will collect NONE of the social security benefits he paid into for 30 years. I didn't teach long enough to receive a full teacher's pension—silly me, I always thought social security would help fill the gap. After all, I worked for it, didn't I? Wrong!

I first found out about the WEP and the GPO when I talked to a Social Security representative on the phone. The statement of earnings I received in the mail led me to believe I would get the full amount shown. Wrong again! I wonder how many people get the big surprise when they receive their first Social Security check?

I feel betrayed. What a terrible way to treat someone who dedicated half her work life to the education of children. I know the $250 (approximately) a month I'm missing due to the WEP is small change to you but it would help me tremendously to get through the month, especially with the cost of health care for my husband and me through the State Teachers' Retirement System. I don't know how much I will lose in Social Security benefits if my husband dies first but I'm sure however much it is, I will miss it dreadfully.

I know why both provisions were enacted—to prevent "fat cats" from double dipping but I wonder how many suffering little people there are for every one of them. These provisions particularly hurt single women but men are hurt by them, too.

I know, too, that should these provisions be repealed (and they should be) it would be costly to the struggling social security system. But let's not save social security at the expense of dedicated public servants whose only mistake was to take a job outside the Social Security system for part of their work lives? Think of it as a boon to the economy—just like a tax cut.

I am writing not only for myself but for all the people in the country who can tell similar stories. You will no doubt hear from many of them. It's time to right this terrible wrong that has been unwittingly done to people who have worked so hard serving the public. We are not double dippers, we are double workers and I emphasize the word WORKERS. We have given to the system. All we ask is to receive what is rightfully ours. Please listen to the many members of congress who have already signed on as co-sponsors of S. 349 and H.R. 594.

Thank you.

Sincerely,

Mary Bertolini

Johnston City, Illinois 62951
April 28, 2003

The Honorable E. Clay Shaw, Jr.
2408 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Shaw:

I am writing in hopes that I can draw some attention to amending the Social Security act to repeal the Government pension offset and windfall provisions.

I understand you are the Chairman of the Subcommittee which will be holding hearings. I would like to tell you my situation so you can see how important this change is for me and a very large majority of my co-workers.

I had worked under social security guidelines for thirty-five years. But just two months shy of my fiftieth birthday I found myself without a job due to downsizing. I was fortunate enough to secure a job a month later with Southern Illinois University, Carbondale, IL. The University does not pay into social security. I have contacted our local social security office and found that because I no longer pay into social security that when I retire the amount I receive from social security will be offset 2/3. So now I can not work long enough to get a sizable retirement from the university and will not get the amount of social security I once thought I would. Before taking the university job my social security statement indicated that I would receive full benefits, around $1,200.00. As it looks right now between both I might get $600.00 a month. I am very concerned for my future and many other people who do not even realize this situation exists.

Please take this small example of the average person and the devastating affects the offset and windfall provisions are having. Any help you can be would greatly be appreciated. Thank you for your time.

Sincerely,

Patricia L. Bird

Statement of Mary Blackburn, Houston, Texas

There are many of us women who have worked for a school district all of our lives. Some of us even have worked under social security and have our quarters on our own benefit. My own work record shows that my quarters are complete for social security. I also have 29 years in education. My husband was collecting a disability social security benefit up until this year. He died in September. He had been ill for 11 years. He worked until 5 years ago before he was on disability. When my husband knew he had not long to live, he asked that I do whatever I could to get his benefit for which he had worked and struggled all of his life to ensure I receive. I only ask that other women like myself not be penalized because the state in which they may reside does not have the proper laws in place to ensure that fairness be there for people like me. If I had not worked in a Texas school district but somewhere else, and received a pension my social security would not be affected. Our state pensions should not be treated as a “windfall.” They are what we have “EARNED.” And, our husbands have earned the right to ensure we receive their hard-earned social security benefits. There should be no “OFFSET” involved.

Thank you for the right to be heard on this very important matter.

Statement of Kandice Boatwright, Sour Lake, Texas

Thank you for giving me this opportunity to write to you. My name is Kandice Boatwright, and I have been an educator for 25 years. Of those 25 years, 12 years were spent teaching reading to middle school children in the state of Louisiana. For the last 13 years I have been teaching developmental reading and study skills to college students at Lamar University.

For my first 12 years of teaching, I did not contribute to social security. Rather, my retirement went into the Louisiana Teachers Retirement fund. When I left Louisiana to move to Texas, I left my money in the retirement system there. After all, I was vested in the system, and I knew that one day I would get a small pension from it. For the past 13 years I have been *contributing* to social security as an employee of Lamar University. Even though I am on the low end of the pay scale at LU, I always thought I would be able to add my social security earnings to my small retirement from Louisiana and also what I have accumulated in a retirement fund while at LU. Now, at 52 years of age, I find that my social security will be reduced by 60% of my earnings in retirement from Louisiana.

This seems grossly unfair to me that I should be denied my full social security benefit—something which I have *contributed* to for the past 13 years. No one ever asked me if I would like to proportionally reduce my social security contribution by the amount it will be cut under the present law. Needless to say, I feel cheated.

It has always been my plan to return to public school teaching when my son reached high school. That will be next year. As a certified teacher of reading (as well as other disciplines) with a vast amount of experience, I feel I have much to

offer to the youth of today—many of whom struggle with reading and comprehension problems. However, knowing how the social security system will penalize me for past earnings invested in a teacher's retirement fund as well as any future earnings from future employment in a state teacher's retirement fund, I am definitely rethinking my future.

Furthermore, with the shortage of certified and experienced teachers today, I think it would be to society's advantage to recruit those individuals who have valuable skills that can be used in the classroom. How many of those individuals who have spent years working in the private sector will decide to join the teaching ranks when they realize their social security benefits will be slashed? I think most of these individuals will decide "no."

Why should hardworking educators be forced to give up those social security benefits for which we have worked for and *contributed* to for so many years? I do not see any justice in this present system. I do not feel that I am "double-dipping" when I simply ask that I receive those benefits for which I have worked hard and *contributed*.

I respectfully ask that members of the U.S. Congress repeal the GPO/WEP which is grossly unfair to schoolteachers, policemen, firemen, and other hardworking public servants.

Thank you for your consideration in this very important matter.

Statement of Carolyn Bond, Mendota, Illinois

I am an Illinois teacher soon to retire from a small school district and am concerned that I will not be able to make ends meet unless I have the spousal share of my husband's social security. Please repeal this unfair provision of the social security law.

Statement of Charlotte F. Bowen, Houston, Texas

Thank you for giving me the opportunity to express my feelings on the effect of GPO and WEP. I am a grade level secretary at Northbrook High School in Houston, Texas. I entered the workforce in the school system 17 years ago after my husband lost his job and was unemployed for 2 years due to the collapse of the oil industry in 1986. I am still working at age 68 and my husband is working at age 70 as we attempt to recover from the financial damage of unemployment in 1986 and again with the recent stock market crash decimating our funds saved for retirement.

My husband has paid the maximum social security taxes since he was 22 years old except for the two years he was unemployed. Now as, we contemplate a modest retirement; we face this inequitable law that will take 2/3 of my Social Security Spousal Benefit away because of the modest Teacher Retirement System pension I have earned.

Certainly, Congress could not have intended in 1983 to penalize the average worker in America with these pension offsets. Perhaps there are some highly paid government employees who will receive substantial government pensions and should rightly be the target of these "windfall" laws. But do you really want to confiscate my Spousal Social Security benefit because I have worked 17 years out of necessity and earned a modest $600/month pension from the state.

Please, demonstrate the sense of fairness for which America is famous and do not penalize the average person because they chose to work. If I had not been forced to enter the workforce after raising my children, I would be entitled to the Spousal benefit. Does it make sense that I now actually draw Social Security payments while I am employed in the School System, but I must sacrifice them when I retire and need them the most? This prevents me from retiring.

Statement of Janice Bruner, Cambridge, Ohio

I am a retired school secretary. My retirement is $625 per month from SERS. My social security check is $118 per month. I should be receiving half of my husband's social security check of approx. $525. Every year I receive a 3% increase which is a whopping $18. Social Security deducts $12 of $18 from my check. That leaves me with an increase of $6 or 1%. Considering the cost of living I am going backwards. Is this fair? Please consider eliminating the social security offset. The federal or

state government does not pay into my retirement so why should it affect my social security.

As you can see, my total pension is a small amount as compared to some of the large government pensions. There are numerous other people like me who are hurt by the offset penalty. Thank you for your consideration and hearings on the offset problem.

Statement of Patricia H. Bunger, Prosper, Texas

Three cheers for your efforts to examine the Windfall Elimination Provision and Government Pension Offset aspects of Social Security in a public forum! I am against eliminating the Social Security spousal benefit for Texas teachers and others employed by non-profits. Elimination of this benefit discriminates against older women and those non-profit workers who received low wages and scanty benefits during their careers. In my case, I am a TSTA/NEA member and Special Education teacher, Plano I.S.D., for 22 years. Before that I was employed in positions covered by Social Security and have 30 qtrs. of credit. For the past 5 years, I've worked part time in a local college library for Medicare credits. I understand I could have gotten Medicare under my husband Ronald's account, but I do NOT trust Medicare and wanted my own credits in case the rules changed. I believe I should have the spousal benefit available because:

- I paid into Social Security for 30 quarters.
- My SS covered employment ceased when our handicapped son was born. I stayed home 5 years to care for him and no public monies supported him. How does society recognize such sacrifice?
- I supported Ronald through 2 degrees so he could earn higher wages (and subsequently pay higher SS taxes.)
- Ronald was laid-off at age 50 as a Comptroller at Texas Instruments 10 years ago and has not held substantive employment since. I am the primary breadwinner and support him.
- Our IRA's and small investments have suffered substantial losses in recent years. We counted on the supplementary SS monies in retirement. Now we can both count on the necessity of continuing to work during retirement due to rising medical costs, food, gasoline and taxes. Congressmen do not face this because of the separate retirement system they voted for themselves which is very generous!

Again, please accept my heartfelt thanks for your efforts to examine these Social Security issues and the impact on teachers and other non-profit workers. TSTA/NEA members are watching this hearing closely. It is vitally important to those of us who dedicated our lives to educate children in return for small wages and benefits.

Statement of the Honorable Max Burns, a Representative in Congress from the State of Georgia

Chairman Shaw and members of the Subcommittee on Social Security:

As the representative for the newly-created Twelfth District of Georgia, I have a particular interest in the Government Pension Offset (GPO) and its application. Thank you for the opportunity to present my views on behalf of the citizens of the Twelfth District.

The GPO affects nearly twenty-five percent of public employees nationwide, especially public educators. As a member of the Committee on Education and the Workforce, I am particularly sensitive to the rapidly expanding problem of qualified public teacher shortages. To attract new, young, committed professional teachers, incentives such as generous retirement benefits are necessary. The GPO is a severe impediment to attracting new, committed educators in Georgia and must be overhauled to reflect changes in circumstances surrounding its administration.

Currently, there are fifteen states in which public teachers are affected by the GPO. Of those, Georgia is one of three in which the GPO affects teachers only enrolled in certain local government pension plans. I must credit a retired teacher from my district, Ms. Glenda Reddick, for bringing this issue to my attention and for providing me with vital information on the current situation affecting certain dedicated Georgia teachers. She has doggedly researched this issue not only because she has personally been subject to the limitations of GPO, but because many of her

fellow teachers in Bulloch, Screven, Bryan, Evans, and Jenkins counties are adversely affected by this unfair restriction on retirement income.

As members of the Social Security are well aware, the General Accounting Office (GAO) issued results of its evaluation of the GPO in August of 2002.[1] GAO reviewed those affected by the GPO in Texas and Georgia and concluded that certain changes to the system should be made. In particular, GAO examined the use of a little-known exemption to the GPO, called the "last-day" rule. Through this rule, public employees working in jobs not required to contribute to Social Security could receive full spousal or survivor benefits (a full exemption from GPO) as long as their last day of employment was in a position that was covered by Social Security. GAO's contention was that public employees, particularly teachers, were taking advantage of the "last-day" rule by transferring to a covered position only for a single day, thus receiving a spousal or survivor benefit without paying into the system. The report noted, however, that in Georgia only twenty-four educators had taken advantage of the GPO exemption and the average educator stayed in that position for a full year. Georgia teachers affected by the GPO utilize the "last-day" rule because they have planned for retirement based on expected benefits from Social Security. Many educators and other public employees affected by GPO, like Ms. Reddick, are not well-informed of the implications the offset carries for their retirement planning.

Recently, the House of Representatives passed H.R. 743, the Social Security Protection Act of 2003, a bill on which this subcommittee held a hearing in February. This legislation held particular significance for Georgia educators because section 418 modified the "last-day" exemption from GPO for public employees in non-covered jobs to the last five years of employment. The motives of the provision were clearly to protect the Social Security trust fund from distributing funds to those who have not contributed to the fund. GAO estimates that the Social Security Administration distributes more than $400 million in benefits to former public employees who transfer from non-covered to covered jobs but contribute considerably less to Social Security than they receive in spousal or survivor benefits. I believe, however, that while the extension of a single day of work for exemption from the GPO to five years is fair, the limitation on when public employees can become exempt from the GPO is not.

In its report on GPO, GAO states, "the intent of the 'last day' exemption is unclear in the legislation."[2] Whether congressional intent was clear within the legislation, the Social Security Administration provides a reasonable explanation for the "last day" rule, stating that some state and local governments did not opt for Social Security coverage originally but enter at a later date.[3] Therefore the "last day" rule equalizes treatment for employees whose coverage status changes due to the state or local government's pension plan conversion into a Social Security-eligible system. My concern with various proposals is that they only allow for exemption from the GPO on the *last* day or *last* five years, as under the H.R. 743. Under current law, the GPO still applies if the public employee entered his or her non-covered position after five years of covered employment in a private-sector job, for example. The GPO and "last-day" provision have been law for twenty years, and hard-working Georgians are still grappling with them. If the 108th Congress imposes any fix, I believe that the least it can do is provide those adversely affected by the "last-day" exemption with a provision that applies the exemption for a certain period of time worked; for instance, H.R. 743 could be improved by modifying the five-year work requirement to apply at any point in that public employee's career rather than the last five years of his or her career. This modification, while not fixing the underlying problem of the GPO, would grant relief to teachers and other public employees, particularly those in Georgia.

In short, Mr. Chairman, I believe that Social Security reform is the only true way to equitably solve the challenges we face with the Government Pension Offset. While we continue to work toward that goal, however, we should not lose sight of simple short-term relief that we can provide the teachers, fireman, police officers, and other public employees who are adversely affected by this unfairly administered offset. Thank you for including these views on behalf of the constituents of the Twelfth District of Georgia.

[1] GAO–02–950, *Revision to the Government Pension Offset Exemption Should Be Considered*.
[2] Ibid, p. 1.
[3] www.ssa.gov/pubs/10007.html.

Cincinnati, Ohio 45247
April 29, 2003

Representative E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Room B–316 Rayburn House Office Building
Washington, D.C. 20515–6100

Dear Representative E. Clay Shaw, Jr.

Maybe it is a windfall for congressmen but not for clerical staff. I was married for almost 25 years during which time I sacrificed to help my former husband received his college degree, which helped him get a good paying job. I stayed at home and raised four children, **which are now law abiding and tax paying citizens**. Now, when I retire I won't be able to collect anything or very, very, little of my ex-husband's social security because of the windfall law. I will only be able to receive the pension that I will receive from my work years at UC, which will not be much because I was out of the work force so many years raising the children. I don't consider receiving his portion of social security a windfall. When employees work at businesses that give employees a pension, they can receive the business pension as well as the social security. There is no penalty. When women never work outside of the home they can receive their husbands pension while their living husband also receives his pension. They don't have to wait until the husband dies to receive his pension. Isn't this double dipping?

Sincerely,

Mary Ann Bush

Statement of Judith Michaels, California Federation of Teachers, Sacramento, California

My name is Judith Michaels and I am the Legislative Director for the California Federation of Teachers, American Federation of Teachers, AFL–CIO. I submit this testimony because of the serious affect the offset and windfall provisions of the Social Security Act have not only upon our members but upon those considering leaving employment covered under Social Security to begin a second career as a teacher. The "Offset" and "Windfall" amendments to the Social Security Act will negatively affect the retirement pensions of many of the 100,000 active members of the California Federation of Teachers, specifically those who are members of the California State Teachers Retirement System (STRS). The consequences for some current retirees in California are even more severe.

The GPO and the WEP have had devastating consequences for more than 800,000 low- and middle-income public employees who have seen their Social Security benefits reduced or eliminated because they receive pensions for non-Social Security-covered employment. Our teachers, former teachers, and prospective teachers cannot count upon a full Social Security benefit, either as a benefit from work they may have done under Social Security or from benefits earned by a spouse.

When Congress created Social Security in 1935, it expressly excluded government employees, and it was not until the 1950s that state and local government agencies could join the system. Meanwhile those agencies developed their own retirement systems, which tend to offer higher benefits at lower cost than Social Security. The California State Teachers Retirement System falls into that category.

The Government Pension Offset (1977) and the Windfall Elimination Provision (1983) were Congressional efforts to contain the costs of the Social Security program in the context of long-term solvency. They were intended to curtail extraordinary benefits for highly paid individuals, but applied only to public pensions. The Government Pension Offset (GPO), reduces an individual's Social Security survivor benefits (available to a person whose deceased spouse had earned Social Security benefits) by an amount equal to two-thirds of his/her public pension. The Windfall Elimination Provision (WEP) changes the formula used to calculate benefit amounts, reducing an individual's own Social Security benefits (earned while working in a job covered by Social Security).

For example, a STRS retiree can lose her entire spousal benefit even though her deceased spouse paid Social Security taxes for many years. Furthermore, some STRS retirees who survive their spouses face a pension offset that deducts approximately two-thirds of their own public pension benefits from their Social Security

survivor benefits. Additionally, the offset detrimentally affects widowed lower-income career teachers, and part-time faculty who have accrued minimal pensions from a number of sources.

We urge you to take steps to make sure that public employees will not have to worry about their retirement due to these unfair provisions that reduce Social Security spousal and worker benefits.

Statement of Gary Lynes, California State Teachers' Retirement System, Sacramento, California

Introduction

The California State Teachers' Retirement System (CalSTRS) provides retirement, disability and survivor benefits to more than 715,000 active and retired public school teachers and their beneficiaries. California public school teachers are the largest single group of State and local government employees in the country who do not participate in the Social Security system.

On behalf of the 1,200 local school districts of the California public school system that educate California's children, CalSTRS wishes to express its very grave concern over any proposal to impose on these school district employers mandatory Social Security coverage with respect to newly-hired teachers.

CalSTRS was established by State law in 1913 to provide a defined benefit pension for the State's public school teachers. Thus, CalSTRS was in operation some 22 years before Social Security was even created. At the time Social Security was established, California's teachers and all other State and local government workers were barred by Federal law from participating. Accordingly, forced by the Federal Government to go its own way, CalSTRS has successfully provided retirement benefits to generations of retired teachers in California. Through sound management over nine decades, CalSTRS has developed into the third largest public pension system in the United States, with over 715,000 active and retired members and assets of about $90 billion. CalSTRS currently pays out $4.5 billion a year in retirement benefits. Unlike the pay-as-you-go Social Security system, the State of California has funded an educator's future retirement liabilities throughout his or her career.

Mandatory Coverage Imposes a Tax Increase on Local School Districts

A proposal to mandate Social Security coverage for all newly hired State and local government workers would impose a major new Social Security payroll tax burden of 12.4 percent of payroll on local school district employers and their employees in California.

This Tax Increase Will Have a Devastating Fiscal Impact on Public Education in California

The 12.4 percent of payroll tax cost of mandatory Social Security coverage would impose an average additional cost of at least $4,200 with respect to each new teacher, equally shared between the employer and the teacher.

This new 12.4 percent of payroll Social Security tax cost would be imposed on top of the over 16 percent of payroll cost that is necessary to fund the current CalSTRS retirement plan. California's school districts simply could not shoulder their share of this enormous overall retirement cost burden.

To accommodate this heavy new Social Security payroll tax burden, employer contributions to the CalSTRS retirement plan would have to be pared back significantly under a new plan coordinated with Social Security. However, the school districts would be left with sharply higher total costs to deliver a combined Social Security and CalSTRS retirement benefit on a par with the current CalSTRS benefit. The current CalSTRS plan produces a much greater retirement benefit than a plan coordinated with Social Security for the same level of contribution. This is because State and local government retirement plans such as CalSTRS—whose assets are invested in the private capital markets—produce a substantially higher investment return than is credited under the Social Security system, even if a portion of the Social Security payroll tax were to be invested in private accounts.

Thus, the cost of benefits provided under Social Security is significantly greater than the cost of equivalent benefits provided under the current CalSTRS plan. Accordingly, if Social Security coverage were to be substituted for a significant portion of the current State pension plan benefit, the employer's overall retirement costs would have to increase sharply in order to fund the same level of retirement benefits as currently provided to California's retired teachers under the CalSTRS plan.

In 2001, Milliman USA, the independent actuaries for CalSTRS, calculated that mandatory Social Security coverage for new teachers would drive up total retirement costs for California school districts by an additional 7.389 percent of payroll simply to fund the same level of retirement benefits as currently provided to California's teachers under the CalSTRS plan.

The 1,200 local school districts in California have a combined annual payroll for teachers in excess of $20 billion annually. Therefore, a proposal to impose mandatory Social Security coverage for new teachers will increase local school costs by as much as $1.5 billion annually.

Simply cutting current retirement benefits for California's teachers would not be a viable way to absorb the harsh new cost burden of mandatory Social Security coverage. CalSTRS's independent actuaries have calculated that the current retirement benefit would have to be cut by about 75 percent in order to keep the overall cost of a new CalSTRS plan coordinated with Social Security on a par with the current cost of the CalSTRS plan.

Accordingly, the State Superintendent of Public Instruction, the chief educator for the State of California, has indicated that any proposal to impose mandatory Social Security coverage on new teachers would have "a devastating fiscal impact on the California school system." (See letter from Jack O'Connell, State Superintendent of Public Instruction to the Chairman of Subcommittee on Social Security of the Committee on Ways and Means, dated May 12, 2003).

Superintendent O'Connell elaborated:

"We currently have over 96,000 teachers and administrators in our system who are 55 years of age or older, and the average age of retirement is about 61. As a result, we will have to be replacing tens of thousands of teachers over the next few years, as well as hiring additional teachers to accommodate expansion of class size reduction in our state. Mandatory Social Security coverage would dramatically increase the cost of hiring these teachers, and will significantly reduce the ability of our schools to maintain this important program. . . .

Superintendent O'Connell concludes: "Mandatory Social Security coverage will only exacerbate these fiscal difficulties with which the California school system already is grappling and could well even push some of the weaker school districts into bankruptcy."

State and local governments have only two responses available when confronted by such an onerous cost burden imposed by the Federal government: raising taxes or cutting spending on other essential government services. School district administrators already have indicated to CalSTRS that a reduction in education services would be necessary in order to address the increased costs of mandatory Social Security coverage. This could mean a cut in funds for libraries, athletics, and other education programs and decreases in employer-provided benefits for current teachers such as health care premium coverage.

A case in point is the Hemet Unified School District, located in Riverside County, California. (A statement on behalf of the Hemet School District by its Superintendent, Stephen C. Teele, Ph.D., dated September 7, 2001 was submitted directly to the committee). The Hemet School District serves 18,000 students in 20 schools throughout rural and suburban communities within a 730 square mile area. Sixty-seven percent of the students reside in families that qualify for the Free and Reduced Lunch program. Student enrollment continues to grow at the rate of 2–5 percent annually. Over 60 percent of the current teacher workforce has been hired within the last five years.

Superintendent Teele's detailed budget breakdown underscores the heavy cost burden that mandatory Social Security coverage would impose on a local school district struggling on a budget already stretched thin to meet the fiscal demands of educating California's children. In the Hemet School District's budget, after taking into account current salary and facility costs, increased power costs, the cost of operating a new school, the cost of recently-expanded special education programs, and the cost of employing new teachers and staff to respond to student body growth as well as class-size reduction and other State educational reform initiatives, there would be no resources left to absorb the harsh cost burden of mandatory Social Security, a cost burden which will only grow over time as more new teachers are hired.

Accordingly, Superintendent Teele indicates, "The proposal to include new certificated personnel into the Social Security system will have a significant negative impact on the District's ability to offer quality educational programs and services at a time of increasing demands from California's Education Reform and Accountability Initiatives." Superintendent Teele concludes: "[T]he Hemet Unified School District is representative of school districts in California that are maximizing all available resources to implement successful programs and services in response to

California's Educational Reform and Accountability initiatives. This proposal not only will have a detrimental impact on those efforts but also goes contrary to President Bush's goal of improving public schools."

Conclusion

For all of these reasons, CalSTRS, its 715,000 members, and the 1,200 local school districts in California strongly oppose any proposal to impose mandatory Social Security coverage.

The members of CalSTRS—which predates Social Security—were barred from participating in Social Security. CalSTRS was forced by the Federal Government to go its own way and through sound management has developed into a retirement plan that is capable of paying out $4.5 billion annually in benefits and shouldering all of its future retirement liabilities on a fully funded basis. CalSTRS would be asked to cast aside decades of successfully providing retirement benefits to generations of teachers, in order to force new teachers into a retirement scheme coordinated with Social Security that would provide reduced benefits at higher cost. It is unfair at this late hour to destroy the CalSTRS retirement plan—and indeed destroy the very success of private investment that the Commission evidently seeks to emulate—by mandating participation to solve a longstanding solvency problem in Social Security that the State and its school districts had no hand in creating and create an "education tax" on the over 8.5 million public school K–14 students in the state of California.

Statement of Virginia Cantara, Cape Elizabeth, Maine

My name is Virginia Cantara, and I live in Cape Elizabeth, ME. I am age 70, and have been widowed for over 31 years. I have been a full-time teacher, and for the past several years a part-time teacher. As I have taught in public school, I am a recipient of the state pension, which is considered a government pension. Consequently, I cannot receive widow's benefits. Social Security, a few years ago, forwarded me a check for back widow's benefits, totaling over $5,000. I was elated, and immediately had a new heating system installed in my home . . . a home that I had only had a few years, as I had to sell homes to educate and raise two children. The system cost $3,000. Social Security then proceeded to tell me it was an error and I had to repay the amount sent me. I sent them the unused portion of $2,000, and have been paying them monthly ever since. If I am late, or skip a month, the administration harasses me in writing . . . for an error that was theirs. I am working to supplement my income, so that I may keep my home. Because I am working, and receive a pension from the state ($2,000) a month, I cannot collect a penny. Now, can your members live on that? I have SS quarters of my own, as does my husband, who became ill at age 28 and died at age 37. I plead with you to eliminate the offsetting law, so I can keep my home, and not face devastation should I become unable to work. I applied for a waiver on the overpayment, but the paperwork, and demands were overwhelming, and I caved in. My state senator did not help. All I have is what I earn. PLEASE help with the elimination of this unfair, outdated law.

Thank you.

Statement of Wai-Kai Chen, Chicago, Illinois

I am writing to you in support of passage of H.R. 594 that amends the Social Security Act that repeals the Government Pension Offset and Windfall Elimination Provisions. I believe the offset and windfall penalties are a form of work discrimination. First of all, I have both public and private sector work experiences. Second, my work on a nine-month contract at an institution of higher education and thus have summers available for other employment. I too pay social security taxes on wages earned. In short, I have been employed 40 years, contributed to retirement funds and then are penalized for hard work.

I believe this is unfair and discriminatory, and strongly urge you to pass H.R. 594.

Statement of Martha Chisum, Beaumont, Texas

I am requesting that the GOP and WEP be repealed. I feel this is a terrible injustice to thousands of hard-working citizens who have served in the public arena and, now at retirement, are being discriminated against and harmed by the very government we have worked for.

I, personally, have worked since the age of 15 and paid into Social Security. At the time, it was minimal contributions because it was part-time through school and then clerical work for many years. I have all my own quarters needed for retirement in Social Security.

Additionally, I now have 5 years with ERS of Texas and 16 years with Teacher Retirement System of Texas. I have given 100% Plus to every job I have ever had. I have worked so hard, especially as a teacher, that many nights each week, I go home totally exhausted! The monies that have been held from my paycheck are MINE. I do not feel like any of it should be "reduced" by any formula! I have EARNED it. Even the portion that was paid by employers is mine. Thus the WEP is a joke and should be repealed! This certainly does not amount to a "windfall!"

Now, I have the most wonderful husband God allowed. We have been married over 31 years. We started with absolutely nothing and we have both worked long and hard to make a comfortable living and provide for ourselves in retirement. If, God forbid, something should happen to him, I feel I should be able to collect, in addition to my own TRS, his full SS benefits, without reduction. A wife who chose to never work and contribute to the system would be entitled to the same. To cut my portion of his benefits at a time when I would need them most would be simple discrimination just because I chose to work and be a productive member of our economic system.

I appreciate your help in making right a wrong that has been in place far too long. It never should have passed in the first place. I realize this will cost millions of dollars. Alternative sources of funding will have to be found. Start by eliminating SS payments to felons/criminals, non-U.S. citizens, and I am sorry, but, even those who have never contributed to SS (past the age of WWII veteran wives). Most importantly, make the government pay back to the SS fund monies that have been "borrowed" from it over the years to fund other programs.

Again, thank you for your service to our great nation and for your help in this very personal matter.

Rockton, Illinois 61072
April 29, 2003

Representative E. Clay Shaw, Jr., Chair
Subcommittee on Social Security of
House Ways and Means Committee
Rayburn House Office Building, Room B–316
Washington, D.C. 20525–6100

Re: Call to Action—Social Security Office/Windfall—H.R. 349

Dear Representative Shaw:

I am writing to you in support of passage of H.R. 594 that amends the Social Security Act that repeal the Government Pension Offset and Windfall Elimination Provisions. This issue has been a priority for our member for four years now. We are very pleased that 12 Illinois Congressmen currently support passage of this bill. We continue to work with the remaining Illinois Congressmen about sponsorship. We have bipartisan support for this issue.

We believe the offset and windfall penalties are a form of work discrimination. First of all, many of our members have public and private sector work experiences. They plan on receiving partial retirement benefits from both work sectors. These folks that actually worked and paid social security taxes and made contributions to Social Security the public system they are members of. Second, many members work on a nine-month contract at an institution of higher education and thus have summers available for other employment. Many hold a summer job within the private sector. They too, pay social security taxes on wages earned. Third, many members have to hold a part-time job to make all ends meet. They also pay Social Security taxes on wages earned. In short, these members have been employed 30–40 years, contributed to retirement funds and then are penalized for hard work.

We believe this in unfair and discriminatory These penalties are directed toward windows, lower income men and women that have worked hard to build the educational system in Illinois.

SUAA represents more than 120,000 members of the State Universities Retirement System, a public retirement system for 12 state universities and 50 community colleges in Illinois.

Sincerely,

Irene Christophersen

Huntington Beach, California 92646
May 15, 2003

Representative E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Room B–316 Rayburn House Office Bldg.
Washington, D.C. 20515–6100

Mr. Chairman, Members of the Subcommittee:

My name is Judith M. Clark. I'm a 65 yr. old retired Library Director, having worked in the public sector—both County and City—for 18 years. I was a stay-at-home mom before my career began and a stay-at-home Long and Short-Term Caregiver after I was "retired" at age 48, due to politics on my Library Board.

My husband (Lt. Col. USMC, retired) was a corporate pilot at the time and earned considerably more than I, even though I was a Department Head in a wealthy, but fiscally conservative city. The fact that there were only 10 peer positions as a Library Director in Orange County severely limited my career options.

I first learned about the GPO while researching information for our retirement plans. I contacted the Retired Officers Assoc. and filled out a form that asked if I received a government pension. I wondered what my retirement pension had to do with receiving survivor benefits as a military widow. Well, I soon learned. Not only did I learn about the Social Security Offset of the Survivor Benefit Plan for military widows, I learned about the GPO and WEP offsets for government employees. Either offset obviously made a huge dent in our future retirement plans and income.

When my husband paid into Social Security all his working life, he did it not only for himself, but also for me. He expected benefits not only for himself, but also for me. His benefits *are* my benefits. He continues to pay a monthly annuity—until he's paid in 30 yrs.—for me to receive 55% of his military retirement pay. He has since we married in 1981. Not only do I receive nothing in Social Security benefits as a spouse, I will receive reduced benefits (35%) as a military widow and as a plain, white, vanilla widow, unless the law is changed. Since then (finding out about the GPO/WEP), I have become an activist in support of women, working to repeal legislation harmful to our financial well-being.

As you, Mr. Chairman, state in your Social Security Guarantee Plus Plan—*Increasing Protection for Today's Women*—"Several features of the Social Security program are important to women: lifetime benefits, inflation protection, a progressive benefit formula. . . ." But, when Social Security 'lifetime benefits' are denied to us as spouses or widows due to the GPO/WEP, what financial security do we have in retirement? When those benefits that we so heavily depend on are taken away, many women are thrust into poverty or near-poverty. I have heard many stories from women who have lost some to all of their Social Security benefits, up to over $1,000.00/month! "In Dec. 2001, 72% of persons affected by the GPO were women." (Official web-site of Cong. E. Clay Shaw, Jr.—Social Security Information).

I became eligible to receive my first retirement check from CalPERS in September 1987. In May 2000, I received an increase of $8.07/month or $96.84/year—less than $100.00/year after twelve (*12*) years of receiving a small pension!! This is 'inflation protection' on a government pension from the largest state pension fund in the U.S. I believe this example illustrates the urgent need to repeal the GPO/WEP, which will benefit women the most.

Chairman Shaw, I think your bill, H.R. 75 has excellent ideas that will benefit women. I will urge my Congressman to support your bill when it's time for a vote. The one exception is in reference to government employees and the GPO. Although it is an improvement over what we now have, the cleanest, fairest, most honorable solution is simply to repeal it. The GPO/WEP issue is non-partisan. It goes beyond

politics. It affects voters of all parties. It is not a “structural” part of Social Security and, therefore, can be voted on separately—like your bill. It is a situation similar to H.R. 5, the “Earnings Limitation Act,” a poorly written public policy and injurious law that was repealed on April 7, 2000. It received complete and total support from Congress. If poorly conceived laws, with negative unintended consequences, have been repealed by Congress before, it can be done again. It’s never too late to make amends. I urge you and the entire Subcommittee on Social Security to support H.R. 594, “The Social Security Fairness Act of 2003.” I think the title says it all.

Sincerely,

Judith M. Clark

Statement of Robert Gray, Colorado Public Employees’ Retirement Association, Denver, Colorado

Chairman Shaw, Ranking Member Matsui, members of the subcommittee, I am Robert Gray, Director of Government Relations for the Colorado Public Employees’ Retirement Association (PERA). PERA covers 175,000 active state, school, local government, and judicial employees in Colorado. PERA also pays monthly lifetime benefits to 60,000 retirees and survivor beneficiaries.

I would like to thank you for having the hearing on May 1 and receiving written testimony on the important subject of mandatory coverage under Social Security for state and local workers. PERA members, benefit recipients and the Board of Trustees of PERA have worked hard for many years to maintain the ability to provide retirement benefits pursuant to the state law governing PERA, free from any mandate to cover employees under Social Security. The Colorado General Assembly has stated several times that it also believes that its employees are already well-served by existing retirement plans that do not include Social Security.

Requiring public employees to be covered by Social Security would increase costs to taxpayers and employees. Even if applied only to new hires, as proposed, the cost would come after Colorado state government has made severe cuts to balance its budget. State employees will receive no salary survey increases in the coming budget year, and some will be laid off or furloughed. If Social Security coverage were mandated, total contributions for retirement would have to be increased by about 5 percent of pay in order to provide benefits from a Social Security and supplemental retirement package that would equal the benefits that PERA currently provides. This cost could be split between employees and their employers, but neither is in a position to pay it.

The alternative is to maintain current contribution levels, even though that would provide a much smaller retirement benefit. This would be strongly opposed by employees and employers, who see no benefit to mandatory Social Security compared to the current PERA plan.

Social Security needs a longer-term solution than mandatory coverage. The absence of mandatory coverage has not caused the long-term financial problems that face Social Security. Federal employees hired after 1983 were mandatorily covered by Social Security, but that has not solved the long-term problem. Coverage of new hire state, school and local workers would increase revenues to the Social Security fund for several years, but those workers would become entitled to Social Security benefits beginning around 2020.

PERA provides very comprehensive benefits as a substitute for Social Security. PERA members have excellent survivor benefit and disability coverage. Retirement benefits are paid for the life of the retiree and his or her designated co-beneficiary, and the benefits have a guaranteed annual increase. PERA benefits have been structured to meet the needs of employees in a variety of circumstances. A career employee who retires at age 62 with 30 years of service receives 75 percent of his highest 3-year average salary. Vesting occurs at five years of service, but employees who leave with as little as one month of service may leave their account in PERA until age 65 and begin receiving a lifetime benefit. PERA benefit recipients may obtain group health care coverage through a program administered by PERA.

Congress confirmed in 1990 that coverage outside Social Security was appropriate. The OBRA law of 1990 required that all state, school and local workers be covered under a public plan ***or*** Social Security. Most state and local employees in Colorado, and k–12 employees, are covered under PERA, The Denver Public Schools Retirement System, The Fire and Police Pension Association, or other pensions in lieu of Social Security.

State and local pensions are portable. PERA, like most public plans, is a defined benefit plan that allows members to purchase credit for in-state or out-of-state public service. To the extent permitted by federal law, PERA allows members to purchase credit for prior employment in the private sector as well, as long as such employment is not vested in a company retirement plan. Employees who leave school, state, or local government can rollover their account to a tax-deferred retirement plan. The amount rolled over includes their own contributions, 7 percent annual interest, plus a 50% or 100% match.

State and local pensions are soundly funded. At the end of 2000 many public retirement systems, including PERA, were overfunded for the first time in their history. The sharp decline in stock prices has caused PERA to have an unfunded liability once again. As of December 31, 2002, the actuarial value of PERA assets equals 88 percent of actuarial accrued liabilities. This poses no challenge over the short-term, since annual benefits paid equal about 7 percent of total assets, and members and employers continue to contribute to the system. Contribution rates include an amount to amortize liabilities that have not been fully funded, and over the longer-term, contribution rates may have to increase to fully accomplish this. In spite of the market's decline and the negative impact on PERA, many local governments in Colorado are exploring joining PERA so that their employees can have the guaranteed, comprehensive benefits that thousands of current PERA members have. The sound funding of PERA and its good long-term investment returns are an attraction.

Mandating Social Security coverage would make it more challenging for PERA to fulfill its existing benefit promises. The unfunded liabilities of PERA would take longer to amortize if the payroll covered by PERA contributions is decreased. Requiring Social Security wouldn't reduce PERA's accrued benefit obligations, but contributions paid to PERA would be reduced as a result of mandatory Social Security. Also, the investment of PERA's assets may have to be altered and made more conservative than it would otherwise be, resulting in a lower investment return.

In conclusion, PERA does not believe Social Security coverage should be required for state and local workers. The current retirement system has worked well in the eyes of employees and employers. Mandatory Social Security would challenge the soundness of the current plan without benefiting employees, and in the long run it would not benefit Social Security either.

Thank you for the opportunity to submit this testimony. I would be glad to provide further information or answer any questions the subcommittee members or staff may have.

Statement of Jan Conkrite, Woosung, Illinois

It has come to my attention that if a person retires and has paid into Social Security for many years and has enough quarters that their social security pension will be reduced in the amount that they will receive as a pension through the state of Illinois. I also understand that only certain states in our nation have this provision. It is both unfair and unequal to have this law enacted in some states and not all states.

I also understand that not all pension funds have their pensions penalized even if they pay into Social Security. No one is going to get rich on the government by collecting from Social Security and their pension. We had a teacher in our district that was able to collect Social Security from her husband because he had died many years ago and she was at an age where she could collect Social Security. When she retired from teaching she could no longer collect her husband's Social Security. This was approximately $10,000 less a year that she had to live on after she retired.

If a husband dies where does all the money go that he paid into Social Security? It should go to his wife or vice versa. As the system is set up now, if a person works as a public servant and works at a much lower salary than if they had worked in industry, they are penalized by not being able to collect their pension that they paid into, plus Social Security which they also paid into.

When students are in college deciding on their career for life, one thing they look at is their benefits. If they have the choice of working as a chemist and starting at a salary of 40 to 50 thousand dollars or a teacher and starting at 25 thousand dollars they need to look beyond the salary. The people that could be chemists but opt for teaching because they love kids and want to share their knowledge are the type of people that we want in education. If that same person sees that they will be starting their salary at half of what they would be starting in industry, plus their retirement will be penalized because they are a public servant might just get mad

and say, "No way!" Our country is built on equality and fairness to all, and this law is not fair to educators and public servants.

Please use your influence to change this law, so that educators and public servants will be able to retire and collect all the moneys that they are entitled to collect.

Thank you for representing the people of our country.

Statement of John Corradetti, Joliet, Illinois

I think it is ludicrous that I should be penalized on my Soc. Sec. because I was a school teacher in the state of Illinois and receive a pension that I have paid dearly for. Please eliminate both offsets.

Statement of Ellen Cotten, Carbondale, Illinois

Hi, I am one of the many who will be affected by the offset. I am eligible for social security from an ex-husband and am STILL affected when I retire from Southern Illinois University Carbondale.

NO one has ever been able to explain the reasoning in this circumstance. I cannot understand how/why I should be affected by something I am entitled to receive.

Hoping something will change in this ruling soon.

Statement of Janice A. David, Washington, Illinois

This letter is in support of H.R. 594/349 that will amend the Social Security Act and repeal the Government Pension Offset and Windfall Elimination Provisions.

These penalties are a form of work discrimination. The penalties seriously affect widows and lower income men and women. I personally know two women (widows) who cannot retire because the day they draw their first pension check they will lose Social Security benefits, and the pension alone will not be enough to cover their living expenses.

Please do what you can to assure that this inequity will be resolved. Thank you for your help in securing the passage of H.R. 349/594.

Statement of Catherine Davis, San Anselmo, California
SOCIAL SECURITY FIASCO

I retired from the County of Marin, California in 1988. I have work for 40 years.

My Social Security was from employment prior to working for the County, except for seven years when the County no longer contributed to Social Security.

My Social Security was reduced from $360.00 to $160.00 because of my County Pension.

My husband died on January 22, 1998 and when I applied for his Social Security benefits, I was told again I was not eligible because of my County Pension which is $1,080.00 per month.

I have friends who receive Social Security benefits because of their deceased husbands. One receives $1,000.00 per month and the other receives $850.00 per month; neither of whom has ever contributed to Social Security.

My husband and I have worked hard all our lives and tried to secure our old age without financial distress.

I know you have been pilfering from the Social Security fund for years; do you not consider yourselves thieves?

The straw the broke the camels back was when I discovered that my husband's death policy was taxable.

Now at age 70 I feel I'm being penalized. Is it any wonder we become cynical about our Representatives in Washington.

May 1, 2003 **UPDATE**

My situation now is more serious. Due to the stock market fiasco, my IRA retirement is 75% less then it was in 2001. This was to pay for any long term care I might need. I now must pay $280.00 a month for Long Term Care Insurance.

Statement of Paul R. Doose, Ph.D., Santa Monica, California

Please accept my testimony for the hearing before the Subcommittee on Social Security, May 1, 2003.

I am testifying on behalf of myself, Dr. Paul R. Doose, 625 Pier Avenue, #1, Santa Monica, CA 90405. My employer is the Los Angeles Community College District, 770 Wilshire Blvd., Los Angeles, CA 90017.

I am 58 years old. When I graduated from UCLA with my Ph.D. I went to work for Hughes Aircraft Company. At the time Hughes required 15 years of service to be vested in their retirement plan. I received two patents for which I was paid a $500 bonus, each, but receive none of the royalties. I left the company after 8½ years and have no retirement benefits from the service other than the credit earned towards Social Security.

I then worked 7½ years for Windridge, Inc., a wind energy development company. It was a small company struggling for existence. Although the wind farm I designed and helped supervise the construction of is still generating electricity, I gained no retirement benefits from the service other than the credit earned towards Social Security.

Next, I worked for Southern California Edison Company. Edison required 5 years of service to be vested in their retirement plan. The first step in California's shift to energy deregulation was to eliminate public funded research at public utilities. I was working in Edison's Environmental Research Group and with only 4½ years of service was "severed" from the company without any retirement benefits for the service other than the credit earned towards Social Security.

For several years worked part time as an instructor for the Los Angeles Community College District, earning some partial retirement credit and 3 years ago was hired full time. I have met the 5 years service to be vested in California's State Teachers Retirement System (STRS). I currently have 6.6 years of service credit.

If I were to retire at age 66 my earned Social Security benefit is estimated to be $1,247 a month and my STRS benefit is estimated to be $2,176 a month. But the dollar for dollar reduction of the Government Pension Offset would eliminate my Social Security benefit. I have no savings or retirement investment plan so my total annual retirement income would be $26,112 per year (just the STRS) in the year 2011. My college district also pays half of the cost of our health benefit plan in retirement. This sounds good, but if health care costs go up by only 5% per year in 2011 my half will be $6,500 per year. By then the property tax on my home will be roughly $8,000 per year. That would leave only $11,612 for all other expenses for a whole year. Although the Social Security benefit is not much, to have $26,576 left for a years expenses might be doable.

Please do away with the Government Pension Offset. It is so unfair. It would have me receive zero retirement for over 20 years of hard work and allow the Social Security System to keep all of the contributions made on my behalf while I get zero. If this does not change I will not be able to retire until my late 70's.

Statement of Johnine Doutt, Houston, Texas

Thank you for giving me this opportunity to write to you.

Thank you for this opportunity to comment on the proposed legislation to remove the grossly unfair GPO/WEP provisions of Social Security.

I have been a counselor in an inner-city school of Houston ISD for the last thirteen (13) years. I am also the wife of a Korean and Vietnam veteran, a First Sergeant in the U.S. Army (now retired from the Army and working for the Aldine ISD (adjacent to Houston ISD) as a JROTC Instructor).

Although I have worked in this district under the Texas Teacher Retirement System, I have worked before that and for seventeen years under the Social Security system.

I hope to retire sometime within the next two years but find that my expectations of even reasonably comfortable retirement harshly to be modified because of the GPO/WEP rules that single out teachers, firemen, policemen and other public servants (and who, before such service, have paid handsomely and for years into Social Security) pay dearly for economies in the Social Security System.

In my case, my Social Security benefits, which would have given me some $680 a month for my seventeen (17) years of SS coverage, will, because of my Texas Teacher Retirement (TRS) System involvement and the conditions prescribed by the Windfall Elimination Provision, be reduced to about $380.

Further, in the event my husband predeceases me, I will be allowed virtually nothing of his social security benefits, although his own benefits during his life will

certainly have been an important part of our common budget for expenses that will not significantly lessen because of his death. (In addition to my loss of spousal benefit, my husband's military retirement ($1,600/mo) will terminate with his death.) On the other hand—and incomprehensibly—a "regular" pension plan from an employer such as a bank reduces SS benefits not at all, and a SS worker whose TRS spouse dies, can collect both the survivor benefits set up from a TRS pension and their own SS with no penalty!

Quite beyond the financial inequities that make the present GPO and WEP conditions unacceptable in the extreme, the message they deliver to public servants rings out depressingly loud and clear: "You alone will pay for the SS economies provided by the GPO and WEP; your public service as teachers, firemen, policemen is of negligible value to our society." And that this message should have been announced by a Congress that has pledged to serve the public good (but whose members, in cavalier dismissal of that, have then so handsomely secured their own retirement and their spouses' welfare after their death) is depressing beyond the screaming of it; it is strikingly reminiscent of the recent shameful conduct of Enron and American Airlines executives, who so generously and outrageously took care of themselves at the expense of those who depended on them for their livelihood.

As a person serving in our schools, as the wife of a military man who has served his country in war and in peace for twenty-three (23) years (and whom I and my children have supported with many, many changes of residence and sacrifices of companionship), I protest this gross inequity which so promises to make our hopes of a comfortable, well-deserved retirement a virtual impossibility.

The GPO and WEP are simply and profoundly wrong. They must removed as conditions for anyone's retirement. I urge that you act to effect that removal.

Statement of Hugh E. Drisko, Orrington, Maine

Thank you for giving me the opportunity to write to you.

My name is Hugh Drisko and I am a retired teacher of 28 years and the president of Drisko Farms, a small blueberry farming business, which I have owned for 30 years.

I live in Orrington, Maine. I am 60 years old. I have a wife who has been teaching in public schools for 33 years.

I am writing today in support of the need for complete repeal of the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).

As a self-employed farmer, I have found the self-employment tax to be particularly oppressive. I have paid approximately 15% of my self-employment net income to the social security system in addition to the normal income taxes. Because I receive a small pension from the Maine Retirement System, my Social Security benefits will be reduced by roughly two-thirds.

It seems that I and many other public employees are being forced to subsidize the Social Security System with little hope of living long enough to recoup my contributions, not to mention any increase in value over time.

The GPO and WEP penalize that segment of the population who contributes substantially to society, yet is generally underpaid and is in greatest need of additional retirement funds for themselves and their spouses.

Any system that discriminates against a small segment of the population based on work experience and age is broken, unfair and must be fixed.

After all, are Congressional pensions similarly affected?

Thank you.

Statement of David C. Emery, York, Maine

Thank you for giving me this opportunity to write to you.

My name is David C. Emery and my job was eliminated in November 2001. As I as an Engineering Manager for a printing press manufacturer it has become very difficult to find a job in the engineering community within our local area. Thus, I started to review the possibilities of entering the teaching profession and wanted to give back to the young children and adults the knowledge and practical experiences that I have gained from my professional experience.

However, it was brought to my attention that if I did pursue the above change in my career path I would be losing all my Social Security benefits. Therefore, I have since continued to look for an other job opportunities that will not penalize my Social Security Benefits.

Additionally, I can also relay the same message to you about my married daughter who has been working as an accountant in Portland, Maine. She also wanted to enter into the educational field so that she would have the summers off in order to spend the time with her daughter when school is out as well as all school vacations. She also has elected to not enter into the educational field as a teacher duo to the loss of her Social Security benefits.

With the average age of teachers increasing and then retiring, what does the future hold for out children entering the public schools when no one will want to enter the educational field due to the loss of there Social Security benefits. This issues has to be addressed and corrected ASAP for the future of our children and future leaders of the country.

Statement of Ferol Empen, Polo, Illinois

As a teacher who will soon be retiring, but not with full retirement benefits because I did not start my teaching career until the age of 38, I will only have 24 years of teaching in. I am now 63 and would like to think about retirement soon will not have a very high retirement pension as I have not put in the 35 years for full Illinois teaching pension benefits. Therefore, it would greatly help if I could also be able to collect on my social security. It does not seem fair that Illinois residents are not able to collect social security if they have the Illinois teacher pension. I would greatly appreciate it if the laws could be changed so I could collect what I have put in social security before my teaching career. As I am divorced and the sole supporter of myself, I would welcome the additional social security benefits and would ask that you support legislation so that Illinois teachers could also receive them upon retirement age. This would greatly help my income so I could retire from teaching and just enjoy part time work with social security benefits.

Joliet, Illinois 60435
April 29, 2003

The Honorable E. Clay Shaw, Jr., Chairman
Subcommittee on Social Security of U.S. House
Ways and Means Committee
Room B–316, Rayburn Bldg.,
Washington, D.C. 20515–6100

Dear Representative Shaw:

I am writing to express concerns and opinions about the existing WEP and GPO Social Security Offsets, so as to provide you with information for the scheduled May 1, 2003 hearing on the Offsets.

My Personal Experience with the WEP*:*

I worked as a Medical Technologist, MT (ASCP), full-time for ten years, and part-time for a few years. During that time, I earned my 40 Social Security quarters. There was a teacher shortage, and I had a desire to teach, so I went back to college to complete courses that would qualify me for an Illinois teacher's certificate for secondary schools. Later I earned a Master's degree in Education-Guidance and Counseling. I both taught at and coordinated a local hospital school of medical technology prior to taking a teaching position in the Joliet Township High School system, and later, a Counseling position at Joliet Jr. College. I retired from Joliet Jr. College as Dean of Counseling and Advising almost three years ago. I earned a state pension for my high school and college employment. Had I not stayed 30 years, my state pension would have been reduced. In this day and age, with schools encouraging early retirement, it will be less likely that second-career teachers and other school employees, who had prior jobs in which they had paid into Social Security, will work 30 years in education.

I learned about the offsets back in the 80's, and wrote to then Senator Paul Simon about the issue. The President's Commission on Social Security, with chairman, Dr. Alan Greenspan, appointed by President Reagan, apparently thought that those on State pensions, who also qualified for Social Security benefits were double-dipping, and should be penalized.

I lost around 60% of my earned Social Security benefits as a result of application of the WEP Offset. I still do not understand why I was singled out for such a cut,

and feel I was penalized for entering the teaching profession. Today, we have another teacher shortage. How many will be willing to leave other careers or to begin a teaching career when they learn their earned Social Security benefits from other positions will be drastically cut once they begin receiving a teacher's pension in one of the states affected by the Offsets? The WEP seems to especially penalize those who worked 15–20 years in the private sector and 15–20 years in the public sector.

Experience of Members of State (Illinois) Universities Annuitants Association:

After retiring, I became chair of the Ad Hoc Committee on Social Security Offset/ Equity for the State (Illinois) Universities Annuitants Association, (SUAA), which represents more than 120,000 members of the State Universities Retirement System, a public retirement system for Illinois' 50 public community colleges and 12 state universities. It didn't take me long to form a committee of those who had lost their own and/or their spouses earned Social Security benefits. Many were widows who had retired from a variety of positions in Illinois public colleges, from cafeteria worker to secretary to teacher, and had counted on obtaining spousal survivor Social Security benefits, only to be shocked to learn that because of the GPO they would receive no survivor Social Security benefits. Yet, in order to have Medicare coverage, they were expected to pay the Medicare B monthly supplement. A few of these women, who are in their 70's and are fortunate to be in good health are still working or have returned to work because of the Offset cuts. Others are trying to make ends meet on small state pensions.

Social Security has a tendency to inform benefit recipients of Offset cuts way after the fact. Often, the Social Security letter indicating an overpayment and need to reimburse Social Security is the retiree's first knowledge of the offsets. Some of our members received this letter nearly a year after their Social Security benefits had begun and been spent. This Social Security letter neither presents a full explanation of the Offsets nor the calculation used in determining the exact amount of the cut. One of our SUAA members appealed her case, but lost, and had to reimburse Social Security. It is my opinion that these procedures are not good business practices, and lack a customer service component. These women, as well as thousands of others, have suffered hardship as a result of such practices.

Believing that the Offsets are discriminatory and harmful at best, SUAA, along with some thirty or more other retiree groups is supporting H.R. 594 and S. 349 for total elimination of the WEP and GPO Offsets. We have been trying to make prospective retirees aware of the Offsets, for more realistic retirement planning purposes, and thus, to relieve the shock most face now when experiencing Offset cuts in their earned Social Security benefits. SUAA members have been writing their stories of how they were affected by the Offsets, and sending them to their Congressional leaders.

It is my hope that the Offsets issue and Social Security practices will be seriously reviewed, and changes made to help, not hinder retirees of public positions. Closing the GPO loophole is not the only answer to the Offsets problem.

Sincerely yours,

Carolyn T. Engers

Statement of Diane C. Evans, Katy, Texas

This is my 11th year teaching in Texas. I worked for 3 years before starting college. I went to college for 3 years and stopped, intending to work about 2 years to get out of debt. A couple of years working in industry stretched into 11 years before I returned to University of Houston to finish my degree in Business and also get certified to teach. I started my teaching career at age 42. It was my intension to teach for 20 years and then retire.

I paid into social security for 14 years before becoming a Texas teacher. My husband worked for Monsanto for 30 years before retiring from there. He went to night school for 12 years to earn his degree while working full time at Monsanto. Then he worked another 7 years at Clayton Library in Houston. As you can see, between myself and my husband, we have paid social security taxes for an accumulation of 51 years.

Teachers work hard, long hours. I arrive at my school every morning at 6:30 and sometimes stay as late as 5:30—preparing, grading, tutoring. It doesn't stop there, because many times I continue grading and preparing at night and on weekends. I am a computer applications teacher and spend summers updating my knowledge by working through new programs and texts and sometimes will even take a college

class to help learn new programs I would like to use in my classes. I teach Microsoft Word, Excel, Access, PowerPoint and Adobe's Photoshop and InDesign and Macromedia's Flash and Dreamweaver.

I say these things to try to help you to understand that teachers are not slouches and we do not want anything that we do not fully deserve. I love teaching. It is one of the most satisfying professions in the world and I can not imagine myself doing anything else. But, I am scared—here is why. . . .

My husband had open heart surgery 14 years ago which made him uninsurable. Upon his death I will receive a small insurance settlement from Monsanto, enough for burial and funeral fees, leaving little else. I have always saved money, putting into Mutual Funds. The stock market has not been kind and my proceeds there are disappointing. The projection is bleak. I will retire with a take-home pension of about $1,000 a month. I will have to sell my home even if I am able to pay it off, because I won't be able to afford the upkeep and maintenance. All of this, because I chose to be a teacher.

I wonder what my future would have been if I had not gone back to school, finished my college degree, and become a teacher. If I would have continued working in industry, I would have had a pension, savings, and been eligible for social security. I am beginning to regret becoming a teacher because every time I look, there is a politician trying to pass a bill taking away what little security I have. Why?? Do you think we don't deserve a decent life after we retire? Am I not working hard enough to suit you? I would like for someone to explain to me what I have done wrong, because, at the time I was preparing to become a teacher, I thought I was doing a good thing. Why am I being penalized for choosing to become a teacher?

Statement of Mike Ferguson, Carrollton, Texas

I worked in the private sector long enough to amass the necessary quarters to qualify for Social Security. Since that time I decided to go into the public sector as a teacher. I am now being penalized for this altruistic move, because my social security has been taken away from due to my Texas Teachers Retirement pension. Even though I paid all that money into Social Security I will get none of it back. Additionally, since I entered the teaching field late, my TRS pension is significantly reduced. As you know, America is experiencing a significant teacher shortage. The inequities of the Windfall Elimination Provision is one major reason more people have to choose not to enter the teaching field.

Statement of Rodney J. Fink, Macomb, Illinois

I am pleased to know that a hearing is underway with the Subcommittee of Social Security on Ways and Means regarding the Government Pension Offset and Windfall Profits Provisions. I am writing to urge your support of passage of H.R. 594 that amends the Social Security Act and repeals these provisions.

I believe that the offset and windfall penalties are a form of work discrimination. Government pension offset is very discriminatory to spouses who may have entered the work force after raising a family who thus had reduced time to create a pension. Such examples are of a divorcee who is entitled to a portion of the social security pension due her husband (after his death) which may be partially or totally eliminated due to the offset.

In my own case, I held several jobs from which I paid into social security, expecting this to be a part of my retirement. To my surprise when I retired, my annual pension from social security is reduced by over $3,200.00 each year. I believe this to be discriminatory and urge your support of the legislation to correct this injustice. In addition, should I die before my spouse, my pension as a result of military service will likewise be offset for my spouse—another level of discrimination to my spouse.

I am pleased to know that 12 Illinois Congressmen currently support passage of this bill and am also pleased that the issue has bipartisan support.

Your consideration is appreciated.

Statement of Christine Fitzgerald, Houston, Texas

Thank you for giving me this opportunity to write to you concerning the Social Security issues currently before you. I am a veteran teacher of 27 years. I have dedi-

cated the majority of my career in public service to teaching in schools with at-risk populations and have faced a variety of challenges.

My career choice and marital status have presented their own challenges; in Houston in 1975, a beginning teacher received a salary of less than $9,000 a year. This meant that if I wanted a winter coat, a trip to see family, a car or any other major purchase, I had to take additional jobs. For all the early years of my career I worked nights, weekends and summers to meet these basic expenses.

As a single woman on a teacher's salary, I have had to be frugal. It has been imperative that I plan for my retirement. I was fortunate enough to purchase a small home and I want to be able to stay there after I retire. Any retiree wants to relax or travel rather than take another job. My retirement will be modest by some standards, but my expectations are not extravagant.

Through my additional work, I have accrued enough quarters to draw a small amount of Social Security income when I retire in a few years, but the Social Security offset will penalize these earnings. I never fully realized what this meant until my own mother retired from a career in education several years ago.

My late mother spent many years working in the private sector and earned many quarters of credit with Social Security. She stayed home to raise us for almost 20 years. When she returned to the working world after we were grown and she was divorced, she returned to a career working for the public schools. Since mom entered the teacher retirement system so late in her career, she could not begin to have enough money for a comfortable retirement without working well into her 70's. Imagine her horror when she was told that she would receive far less due to the Social Security offset. She worked hard for every penny of both funds and foresaw a monthly income which would make every month a struggle. Just as she was set to retire, she had a catastrophic stroke and I had to find a way to pay for a care facility and medicine as well as her other needs. Medicare funds were available because she had opted for the offset to ensure this. In the alternative scenario, she would qualify for Medicaid only after her modest savings were spent down.

Many of our newest recruits to education are people who, like my mother, have many year of Social Security income saved. In times when there are critical teacher shortages and we are trying to attract seasoned professionals with a diversity of experience to a career in the classroom we must make this choice attractive. How attractive is a second career in education, which forfeits these hard-earned funds?

In the next few years, many baby boom educators will retire. We do not feel that we are asking for funds that we have not earned. Our retirement income, modest at best, along with Social Security will simply make it possible for us to keep up with rising costs without penalizing us for many years of additional work. We are proud of our years of service and want to remain self-sufficient. It is in the interest of Congress to help us in that goal. Please repeal the laws governing the GPO and WEP and consider real reform for Social Security.

Statement of Mary Jane Folkerth, Springfield, Ohio

I have just received word that Rep. Clay Shaw, Chairman of Ways and Means is holding hearings regarding the Offset Provision that so many of us have gotten caught with. Please let Rep. Clay Shaw know that much attention is being given to this legislation and many retirees feel strongly that they have been dealt with unfairly and are relying of him and others to correct a wrong. . . .

As a retiree from Clark State Community College in Springfield, Ohio where I paid for something that is being withheld, I ask Representative Shaw's support.

Thank you for forwarding my reply to the proper channels.

Statement of Donald J. Foster, Ironwood, Michigan

As a retired Illinois educator, currently working in Michigan, I hereby respectfully submit these four (4) pages in support of the Social Security Fairness Act of 2003, which seeks to repeal the Government Pension Offset and the Windfall Elimination Provision of the Social Security Act:

I. **TESTIMONY OF PERSONAL INJUSTICE BECAUSE OF GPO/WEP**

Following graduation from high school, I farmed for several years with my father in northern Illinois. After serving in the U.S. Army for two years, I then worked at several jobs to put myself through college and became a teacher. By the time I

left Illinois in 1995, I had earned over 40 quarters of Social Security credit—which is the required amount of qualifying-credits for my age group.

I plan to retire from Michigan in 2005 and will have earned an additional 40 quarters of Social Security credit, based upon full-time employment—for a total of over 80 quarters. During these last 10 years of employment I will have paid more than $70,000 into Social Security ($7,000+ x 10 years).

As I approach retirement, I feel betrayed. While my retirement situation won't be a matter of "poverty" without the full Social Security benefits; it is a matter of "injustice" and broken promises from my government. I have worked in occupations that benefited my country: farming, the military, and education. While paying Social Security taxes throughout my working years, I never suspected that the S.S. credits I earned would be treated differently than the credits of the people with whom I worked side-by-side while earning those credits. In addition, I thought I was also providing for my wife; however, because of the GPO/WEP provisions, she will not receive the full spousal-benefits that other workers are allowed to provide their spouses by way of their earned Social Security credit.

HOW CAN THIS BE FAIR?

I am angry and disappointed about this unfair treatment. I ask Members of this Congress to put an end to the discriminatory GPO/WEP provisions of the Social Security Act.

ELIMINATE THE GPO/WEP PROVISION OF THE SOCIAL SECURITY ACT

II. **STATEMENT OF THE ISSUE**

A. **GPO/WEP is discriminatory** because it denies equal treatment of Social Security credits to a select group of U.S. citizens; this discrimination involves:

1. citizens who are public-sector workers; of these,
2. citizens who are public-sector workers in certain 15 states; of these,
3. citizens who are public-sector workers in certain 15 states; and who are not Federal legislators.

B. **The underlying rationale for GPO/WEP is flawed** because it incorrectly presupposes that all Social Security credits earned by the above-defined citizens are credits based entirely on *part-time/supplemental work*; and would, thus, grant these public-sector workers an advantage because of the Social Security formula that gives lower-paid workers a higher percentage return than their more highly-compensated counterparts.

Public-sector employees—including first-responders—who relocate to a GPO/WEP state; or people who have worked in both the private and public sectors; or military personnel who become teachers in a GPO/WEP state are just a *few examples of **full-time workers** who unfairly lose their full Social Security benefits because of the flawed assumptions of the GPO/WEP provisions*.

III. **EXAMPLE OF HOW GPO/WEP WORK**

If a senior citizen receives a monthly public-sector pension of $600 and qualifies for a Social Security benefit before Offset of $450, two-thirds (2/3) of the $600 (or $400) is subtracted from the Social Security $450—**resulting in a monthly Social Security benefit of $50 . . . instead of $450**. (Spousal-benefits are similarly affected, also.)

Yet, the above senior citizen has paid the same Social Security taxes for the required number of years—exactly as a private-sector citizen has done.

HOW CAN THIS BE FAIR?

IV. **LIST OF STATES AFFECTED BY GPO/WEP (15 states = 30% of U.S.)**

Alaska	***Connecticut***	***Louisiana***	***Massachusetts***	***Ohio***
California	***Georgia***	***Kentucky***	***Missouri***	***Rhode Island***
Colorado	***Illinois***	***Maine***	***Nevada***	***Texas***

V. **ADDITIONAL COMMENTS**

- WHAT IF 9–11 HAD HAPPENED IN A GPO/WEP STATE? The benefits of the surviving spouses and dependents of many of those killed would have been severely affected—not only the people working in the damaged buildings; but also the first-responders who came to their rescue, some of whom lost their own lives attempting to help others.

Because first-responders put their lives in danger every day, it is unconscionable that they and their families would be treated unfairly by Social Security.

- It is fair to note that Federal legislators, who are also public-sector employees, exempted themselves from the loss of Social Security retirement benefits when the GPO/WEP provisions were passed. Many of our lawmakers come from public-sector backgrounds. Notable among these is Speaker-of-the-House, Mr. Dennis Hastert of Yorkville, Illinois, who taught at Yorkville High School. Mr. Hastert and his wife, also a teacher at Yorkville High School, will not have to suffer the inequities of GPO/WEP as will many of their teacher-colleagues.
- It is ESPECIALLY EGREGIOUS that military personnel—many of whom have been put in harm's way by their Government—would also have their Social Security retirement benefits reduced only because they later became a teacher, or a policeman, or some other public-sector employee in a GPO/WEP state.

Pvt. Jessica Lynch, the young lady who was recently rescued from Iraq, wants to become a teacher. What if she happens to move to a GPO/WEP state? The Social Security credits she earned as a POW will be "discounted" under GPO/WEP upon her retirement.

- Mrs. Laura Bush has made an admirable, national plea for more citizens to join the teaching profession because there is a shortage of teachers in many states, including some of the GPO/WEP states. However, GPO/WEP often discourages interested people from entering education as a second career because most folks can not afford to jeopardize their Social Security retirement benefits.

At a time in our country when we desperately need the services of public-sector workers: teachers, police, firemen, etc., we should not discourage people from joining these critical professions by continuing the unfair practice of taxing their wages and, then upon retirement, treating their Social Security benefits differently than other workers' benefits.

- GPO/WEP does not take into account the realities of the modern-day workforce. Denying full Social Security retirement benefits to workers in certain states is especially discriminatory because the current workforce is not place-bound—people move from state-to-state during the course of their working lives. Workers also are healthier and are able to work longer, often changing careers between private- and public-sector employment.
- We are not asking something from Social Security without having contributed to that system. For those of us affected by GPO/WEP, *we qualify for Social Security benefits because we have paid Social Security taxes for the required length of time*. Under GPO/WEP, however, the Social Security taxes that we have been forced to pay go into the "general pot" to pay for other workers' S.S. benefits; and, we and our spouses/dependents are not allowed to receive our full benefits.

In all fairness, if we have paid into two pension plans during our working years, we have the right to expect full retirement benefits from both systems.

- GPO/WEP has punished too many citizens for too long! We should not allow a situation to continue whereby all citizens are forced to pay Social Security taxes and, then, discriminate against some of those citizens upon retirement.

TREAT ALL SOCIAL SECURITY CREDITS EQUALLY FOR ALL CITIZENS

Statement of Hollis K. Fox, Pagosa Springs, Colorado

I thank you for the opportunity to share my testimony.

I am a retired Air Force fighter pilot/career officer. I have a sincere desire to pursue the Troops to Teach program, as I have a deep love for children. I must tell you that the provisions of the WEP/GPO have made me think twice about this. Here in Colorado, a teaching career retirement is through the Public Employees Retirement Association. While in the Air Force for 20+ years, I paid into Social Security. My wife, who is a teacher in Colorado, has a similar problem in that while we were in the Service, she moved around with me all over the globe, and had jobs in which she paid into Social Security. I understand the intentions of WEP/GPO as they were implemented, but they have a drastic negative affect on those of us who live in states, like Colorado, Texas and others. We have contributed into the Social Security system, and are not getting "something for nothing." It is grossly unfair to penalize those of us with a heart for service, by having our retirement reduced because of

an unconsidered consequence of WEP/GPO. I sincerely hope you will correct this injustice.

Statement of Jeanne Fuchs, Houston, Texas

I am a seasoned teacher, 13 years, in Texas and I would like to share with you some of my reasons why teachers should receive social security. During my teaching career, I have had to work 2 and 3 jobs just to make ends meet. I work every summer, never giving myself any time off. The pay scale for teachers goes up every year, but it is not enough to keep up with inflation. I am always working during the school week after teaching and on Saturdays to earn extra money. Last year teachers finally were given some help with their insurance, but some of that money has already been taken away. The 401 provided by the district will be cancelled this year also.

It is very frightening for teachers to realize that after all the years of dedicated service to students to learn that retirement will not support you. Many teachers have taught for years and years, but not all teachers can say that. Yes, you say, what about husbands. Well, many husbands are dead by their retirement age and all teachers have at this point is teacher retirement. At one point in my life, I was looking forward to retirement, but now I stay awake at night worrying about how I am going to make ends meet!

Please realize all the detrimental issues that are hurting teachers, new and old. No one will want to enter the field of education if they can't earn a decent salary, have affordable insurance, and a retirement that one can live with without worrying. That said teachers should be able to collect the social security from their husbands or the social security they earned through the years of working when they had to supplement their teachers salary.

Thank you for your time and please consider this request very carefully. It is so very important that teachers can collect their retirement and social security.

Statement of Barb Gallagher, Elmhurst, Illinois

Please eliminate the GPO and WEP. I speak for many teachers in this country. We all have similar stories. Thanks very much.

Statement of Keren Eula Gardner, Murrieta, California

Thank you for giving me this opportunity to write to you.

My name is Keren Eula Gardner, age 55, and I am currently a high school teacher in California. I am concerned that I will have very little to retire on. My husband was in business for 21 years, paying into social security. When the recession hit California in the 90's, we were forced to close down our business, and we entered the teaching profession. We have found this to be a very rewarding experience. We had no idea that upon his retirement, (he is now 67 and still teaching), he would lose one-half of his social security benefits; I just found out at a teacher retirement meeting this week that when he dies, I will not be able to receive any of his social security, just STRS.

I plan to teach at least until I am 65 years of age. However, this will only give me 17 years paid into California retirement, (STRS), on which to survive.

I have heard the term, "double-dipping," but how can this be when all my husband and I have tried to do all our lives is to support ourselves, asking nothing from our government? When citizens are forced to make career changes, they should not be financially punished.

I am requesting that you, as a committee, vote to abolish the Social Security Offset.

Statement of Betty Gordon, Skokie, Illinois

I am writing to you in support of passage of H.R. 594 that amends the Social Security Act that repeal the Government Pension Offset and Windfall Elimination Pro-

visions. This issue has been a priority me personally for many years now. I am very pleased that 12 Illinois Congressmen currently support passage of this bill.

I believe the offset and windfall penalties are a form of work discrimination. First of all, many people such as myself have public and private sector work experiences. We planned on receiving partial retirement benefits from both work sectors. I actually worked and paid social security taxes and made contributions to Social Security. Many people have to hold a part-time job to make ends meet and they also pay Social Security taxes on wages earned. In short, these people have been employed 30–40 years, contributed to retirement funds and then are penalized for hard work. I believe this is unfair and discriminatory.

Statement of Helene Hammond, Harrington, Maine

Thank you for giving me the opportunity to write to you.

My name is Helene Hammond, and I am here today as a teacher who is being heavily impacted by the Social Security Offset that has been levied on all state employees from the state of Maine, as well as many other states in our country.

My husband worked for years under the Social Security System during the summers when he was in high school and college. He then taught school for fourteen years, again working a full quarter each summer under Social Security, since a teacher in our area does not earn enough during the school year to support a family. Since he left teaching, my husband has worked in his own business.

I have also worked a number of summers during my school years, as well as many summers in the blueberry industry while I stayed home with my five children. I have now taught a total of fifteen years, and since I am already 57 years old, I do not have many years left to contribute to the state retirement system.

As you can see, we are a couple who will really be penalized by the Social Security Offset, since neither of us has worked long enough as a teacher to qualify for a livable retirement benefit. Had we been aware of this situation when I was ready to return to work after my children went to school, I would probably have worked in the private sector where I could have received a larger Social Security benefit upon my retirement.

I love my job and feel that I have made a significant impact on the lives of the children in Narraguagus High School. My rewards from within are fulfilling, but the compensation from without has been less then adequate, since we are some of the lowest paid teachers in the country. Now to discover that we will also be penalized for the rest of our lives for our dedication to the young people in our area is distressing. In fact, it is almost a panicky situation when we think ahead to retirement years, as I have in just the last month.

Thank you for your consideration of this issue and for the time and dedication that you also give as you serve us in our country.

Roberts, Illinois 60962
May 2, 2003

Representative E. Clay Shaw, Jr., Chair
Subcommittee on Social Security
House Ways and Means Committee
Rayburn House Office Building, Room B–316
Washington, D.C. 20515–6100

Dear Representative Shaw:

I am writing to you in support of passage of H.R. 594 that amends the Social Security Act that repeal the Government Pension Offset and Windfall Elimination Provisions. This issue has been a priority for our members for four years now.

I believe the offset and windfall penalties are a form of work discrimination. I am allowed $58.00 of my deceased husband's social security just simply because I receive another retirement income. My husband paid into Social Security for many, many years and yet I am only allowed $58.00. This along with my retirement income is way below the $2,000.00 per month that is a reasonable income.. . . as told to me by my Congressmen.

I believe this to be unfair and discriminatory. These penalties are directed toward widows, lower income men and women who have worked hard to build the educational system in Illinois.

I appreciate any support and action you may give to eliminate the Government Pension Offset and Windfall Elimination Provision.

Thank you,

Carol J. Hari

Statement of Arlene Hendersen, Roseville, California

Thank you for giving me the opportunity to write to you.

I am a teacher who has not always been a teacher. I teach 8th grade one of the more challenging jobs a teacher can have, but not only do I teach 8th grade but I teach algebra to all my students. I work hard to be sure all levels of students can learn. I do not believe I would be as successful as I am if I had not had other outside experiences.

Teaching is a calling that some people receive later than others. At 18 I was not sure what I wanted to do with my life, so I majored in business and graduated from California Polytechnic State University San Luis Obispo. I worked several jobs using my business degree, but still wanted to do something else more important. I finally decided that I really do like other people's children after being the neighborhood mom who taught all the kids how to swim in my backyard pool. I also spend time working at the school in my daughter's classroom. I looked into teaching.

Now I am a teacher, but I spent several years gaining valuable experience doing other jobs, cashier, waitress, retail manager, payroll accounting and countless summer jobs earning money for college.

I am starting to think if I will have enough money to support myself when I retire, but I find out my Social Security will be cut, because I became a great teacher who cares. Wow what a slap in the face. I work hard and I am totally underpaid, but that is not good enough the federal government want my Social Security I earned too. I started teaching late in my life which makes it impossible for me to get in enough teaching years in and because of the low pay I will never even begin to retire on enough money to get by on, I should be rewarded for not selling out for a higher paying job with less stress. Teachers should be honored, but instead get blamed because parents are lacking in skill to raise children.

Please give me back the little Social Security I will get, because I worked for it and do not deserve to have it taken away because of a career change.

Statement of Sandra Hopper, Joliet, Illinois

Many of my family members and I have participated in long careers in teaching and counseling in the public school system in Illinois. We feel we have made a strong contribution to future generations with our efforts. Since the education field is still underfunded, we have also worked in the private sector during summers and taken part-time jobs during the years. We have contributed to the Social Security system in good faith. While other social security contributors also collect their full pensions from other systems, we are being unfairly penalized when we retire. I urge Representative Shaw and his committee to vote for a full repeal of the GOP/WEP. It's the right thing to do! Thank you for your consideration.

Normal, Illinois 61761
February 23, 2001

The Honorable Peter Fitzgerald
555 Senate Dirksen Office Building
Washington, DC 20510

Dear Senator Fitzgerald:

For the tax year 1999, I paid $2,154 ($485 in income taxes, $1,123 in self-employment Social Security tax, and $546 in Medicare premiums), to receive $1,842 in Social Security (SS) benefits; in other words, I paid more than the SS benefits that I received. (Please see attached worksheet.) The reason for this is that my SS benefits are reduced by approximately 60% as a result of a law passed by Congress in

the 1980s that reduces SS benefits of individuals who receive a pension from a governmental agency.

For 35 years I was employed by the State of Illinois at Illinois State University and am presently a retiree under the State University Retirement System, SURS. The State of Illinois *did not make any contribution* to SS on my behalf during those 35 years. The majority of my accumulated credits for SS came from work for private companies and/or self-employment. (There are several credits because of my military service in the mid 1950s.) My wife currently receives SS benefits based entirely on her work, primarily as a self-employed contractor.

My firm conviction is that this law is grossly unfair. (I believe that this law affects many individuals who are/were employees at universities in Illinois.) I can understand the concept of "windfall" when an employer makes contributions to multiple retirement funds for an individual, e.g., if the State of Illinois had made contributions to both SS and SURS. But the State of Illinois contributed only to SURS; the majority of the contributions to SS were made by me because of self-employment and/or by private employers. I continue to contribute to Social Security based entirely on self-employment income; any additional SS benefit that I might earn will be reduced by 60% because of the federal law.

In addition, we have just learned that when I die and my wife becomes the "survivor" of retirement benefits from SURS, with a reduction of 50% of the current income, her SS benefits will be reduced by the 60% offset even though no contribution to SS came from any governmental agency! In our original financial planning for retirement, we assumed that my wife would continue to receive the entire SS benefits that she had earned. This reduction in SS benefits will reduce the standard of living that we had planned for my wife and retarded daughter.

This unfair practice needs to be repealed and/or modified quickly. I will be happy to discuss my individual situation with you at any time. I am *anxious* to learn your reaction to this practice.

Confused and angry,

Thaddeus C. Ichniowski, Ph.D.

WORKSHEET
SOCIAL SECURITY BENEFITS FOR T.C. ICHNIOWSKI FOR 1999

TOTAL SOCIAL SECURITY BENEFIT RECEIVED IN 1999 *	($1,842)
FEDERAL AND STATE INCOME TAXES ON SS BENEFITS	($485)
SELF EMPLOYMENT SS TAX ON EARNINGS IN 1999 **	($1,123)
NET AMOUNT RECEIVED	($234)
MEDICARE PREMIUMS	($546)
ACTUAL SS BENEFITS RECEIVED IN 1999 ***	($312)

* Note this is the benefit received after the so-called "off-set."
** The increase in benefits for 2000, based on the 1999 earnings, is still being processed by the Social Security Administration.
*** This does not include payments made by Medicare for my benefit.

Statement of John H. Gebhardt, John Wood Community College Annuitants Association, Quincy, Illinois

I am writing to you in support of passage of H.R. 594 that amends the Social Security Act that repeal the Government Pension Offset and Windfall Elimination Provisions. This issue has been a priority for me ever since I heard about how this affects my situation. I stand to loose over $200/month in Social Security benefits—just because I moved to Illinois. I believe this is unfair. Had I known about it before, I would not have taken a job in Illinois or I would have moved as soon as I could have found other employment to a state which did not have this. I would be more inclined to agree to this had every state been required to do this. The idea that my educational pension is adequate may apply—if I spent my whole working career in it. The premise of this original act was to eliminate "Windfall Profits." I can tell

you, I am not making windfall profits as a retiree of the educational system. I have devoted my life to serving my country as a military reservist (a 31 year career) and as an educator (13 years in Illinois, 3 in Nebraska, and 7 in Iowa). I did not think I was taking a "vow of poverty" to do so. Is that the way we want to treat those who have worked to serve the public? It is not unusual for educators to move from state to state. Why should I be penalized because I came to work at one of the only 13 states that have this situation? I paid social security taxes and made contributions to Social Security thinking I would receive the benefits when I retired to make up for working in the public sector.

As President of our local chapter of the John Wood Community College Annuitants Association, I know of several members who are being hit harder than I am. Some are loosing over $800 in benefits and their surviving spouses are even hurt more. My fellow retirees and I believe this legislation is unfair and discriminatory. These penalties are directed toward widows, lower income men and women that have worked hard to build the educational system in Illinois.

We'd appreciate your sponsorship and support in getting this discriminatory legislation changed.

Statement of Virginia B. Johnson, Hawthorn Woods, Illinois

I have been a public school teacher for 33 years with the intent to retire at the end of my 34th year. I have also over the years worked summers and evenings to either further my education or earn supplementary funds. I'm sure you have heard the arguments over the years about how teachers have the whole summer off and can make up for low teaching salaries by working summers. Well, I did. And now, I find out that the Social Security payments I made were essentially in vain. I don't think that is right. Although my earnings for Social Security were not great, the proportion removed from my earnings was the same as full time workers. Each year when I receive a statement of earnings from Social Security it states what I am eligible for and never a mention of being offset by my teacher's pension. What a cruel treatment of a public servant.

To add to my desire to have the GPO/WEP repealed is that my husband is also a public servant. He has been a firefighter/paramedic for 25 years and has worked another job for over 28 years. Between his two jobs he worked nearly 80 hours per week. There were weeks he worked 7 days. He has paid plenty into Social Security, is fully vested, and to now learn that those funds will not benefit our retirement is devastating.

While I would never change the emotional rewards I've had from my career in teaching I have to question our country's procedures, which penalize me for choosing it.

I am begging you to repeal the GPO/WEP and help insure that people who dedicated their lives to serving the government and not forsaken by it. I thank you for reading this letter and hope you act positively on this matter.

Statement of Cathey Jones, Houston, Texas

Thank you for giving me this opportunity to share my concerns with you.

I am a 26-year veteran high-school teacher. I am married to an administrator in the same district. We do not currently qualify for social security benefits because of the time period in which we started teaching, but we do have a few quarters of social security because of jobs we held during high school and college. We had hoped to work after retiring from public schools to complete our number of quarters necessary to qualify for at least minimal benefits from Social Security and Medicare since we have willingly worked for less money than our similarly-educated friends in the private sector and have put up with the vagaries of the public schools because we love teenagers and love seeing the light go on in a child's eyes. Those who are not cut out for this job may not see that as enough reward for dealing with the hormones, tantrums, and the plethora of requirements heaped upon the schools by society. It is trying, to say the least, but I would not change professions unless forced to by health problems.

I see no reason that because we chose to do this difficult job we should be kept from collecting Social Security since there are people who retire from the military and collect pensions from other sources also. My father gets Social Security and his retirement from Chevron. That is from working at one job for which he gets money from two sources. A fellow teacher worked as an airline stewardess for twelve years

and then became a teacher. She will teach until she is sixty-three to get her whole pension, but why should she not be able to get those benefits from Medicare and Social Security she legitimately earned? I have another friend who is in a similar situation who cannot get enough years to get her full teacher pension since she worked for 18 years in the private sector before going back to school to become a teacher. One teacher in my department is teaching a citizenship Government course for Harris County to get Social Security because her husband is self-employed and they will need every penny they can get when they retire. Another teacher with a critically ill husband is worried she will not get her husband's social security if he should die because of her TRS status.

An additional concern I have now is for my daughter who wants to be a teacher also. She is quite aware of the financial sacrifice she will be making, but I do not want her to have to take up the slack for us which may occur since our mutual funds are going south like everyone else's. I also do not want her to face lessened retirement earning potential since she has three chronic illnesses, and it is her medical expenses out of pocket right now that are killing us financially since she can see only a narrowed field of doctors given the rareness and specificity of her conditions. Only one of them is on our medical plan despite the fact that we pay the highest premium possible to get the most extensive care available to employees in our district. She will probably find her earnings eaten up by these expenses when she is out of college and employed as a teacher, so her retirement will be even more affected than ours since she will have less available to save and invest than we have had.

It seems to me that this is a case not of closing a loophole, but of reducing opportunity to one segment of the population that is engaged in important work. If all others were to be prohibited from this sort of "double dipping," it would be different. Teachers are repeatedly singled out and taken to task by one group or another for whatever it is politically profitable for that person in that position to bash. All people feel they are authorities on schools since everyone has been at school as a student; this leads to the feeling that it is not necessary to consult professionals who are actively teaching or administrating in order to make statements about what is needed to fix problems in school districts. That seems a bit foolhardy to me, but nonetheless this tendency to feel everyone is an authority on schools seems to lead people to think there should be huge disincentives imposed on the teaching profession so we can weed out the bad ones. I think you are weeding out a large number of potential new teachers and discouraging many of the veterans like me when you try to pass legislation that prohibits teachers from making their best effort to climb out of that precarious financial position that the profession puts us in.

Please consider the case of the old teachers like me who have worked forever and have only the TRS to keep us from the poorhouse since investments are losing so much, the teachers who have taught only half their career and have roughly equal time in Social Security, and the case of those who are now teaching for Harris County for a pittance one night a week to get that meager minimum SS eligibility to be able to avail themselves of Medicare. We are not money-grubbers! We have worked long and hard with little respect because we love the children and what we teach. Should we be denied the opportunity others still have? Have we not paid in many ways for those benefits?

Statement of Ellen Kahn, Homewood, Illinois

I am writing to you in support of passage of H.R. 594 that amends the Social Security Act that repeals the Government Pension Offset and Windfall Elimination Provisions.

The offset and windfall penalties are a form of work discrimination. As someone who has worked in both the public and private sectors and made retirement contributions to both, I am being punished by having a significant reduction on my benefits while others get their full retirement benefits.

At age 65, when I would like to retire or work part time, I have to work full time in order to meet expenses.

I believe the GPO and WEP are unfair and discriminatory. These penalize widows, lower income men and women that have worked hard to build the educational system in Illinois.

Statement of Martha Karlovetz, Lake Sherwood, Missouri

Thank you for providing the opportunity to write to you regarding the personal impact that the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) have on me.

I retired in 1995 after a working career that spanned 35 years. For 15 years I worked full-time in jobs covered by social security. The first six of these years were my lowest earning years. I worked as a clerk-typist for a small manufacturing company in St. Louis while I finished my teaching degree in night school at Washington University. The last nine of these years (and the years immediately preceding my retirement) were my highest earning years. In each of these nine years I contributed the maximum F.I.C.A. required by social security.

For 17 years I was a teacher, contributing 9½ to 10½ percent of my salary to the Public School Retirement System of Missouri (PSRS). My school districts, Ladue and Parkway, also contributed to my pension. These are monies that I would have been paid in salary. I also worked part-time during my teaching years as a consultant, teaching summer school and teaching at the graduate level. For these jobs, however, a F.I.C.A. contribution was automatically deducted. I did not have a choice.

Although I tried several times, beginning in 1986 or 1987, to find out what the impact of the Windfall Elimination Provision would have on my social security benefit, I had difficulty getting any accurate information. The local social security offices that I contacted, and yes, I did contact several hoping that someone would have the answers, would refer me back to the Public School Retirement System. PSRS would refer me back to the social security offices. Written estimates of benefits I requested from social security were also vague.

In 1995 I retired. Yes, I was only 55 at the time and took advantage of an early retirement program offered by the Parkway School District. Since I was vested but did not have 25 years in the retirement system, I needed to wait until age 60 to start collecting any pension and I also knew that I would be age 62 before I could start drawing social security. I knew my social security benefit would be reduced but still did not have an accurate estimate of how much.

But my husband and I were not worried about our financial security at the time. We had saved and invested wisely over a period of many years. We built our own home, literally, had no mortgage and no car payments—and no debt. Our "nest egg" would be more than adequate to support us through our retirement years.

In 2000 I began to collect my public pension, which now amounts to about $1,300 a month, less federal and state taxes for a net of $1,151 per month. In 2002, at age 62, I applied for social security for which I now receive $655 per month. Of course this is subject to income taxes and is a $300 month deduction based on my average lifetime earnings, just because I have a public pension. This is not a lot of money after a 35–40 year career in the workforce!

When the Government Pension Offset was passed by Congress, I'm not sure that I was even aware of it. And even if I had been, retirement and the possibility of my spouse predeceasing me was something that was so far in the future that I probably wouldn't have given it much thought. My husband is now 67 and has a history of heart attacks in his family. I am 62 and have a family history of longevity. Our future is here. The probability that my spouse will predecease me is quite real.

My husband retired from McDonnell-Douglas/Boeing in September 1997, after more than thirty years with that company and another ten years of employment elsewhere. He was not a manager or an executive, but an electrician. His pension from McDonnell now nets him $947 per month after taxes and over $250 per month for health care and Medicare supplemental coverage is deducted. He receives $1,047 per month for social security, also subject to taxes. Even if you add our pensions and social security benefits together, we are far from being wealthy.

In the last two years our financial situation has changed significantly, making the repeal of the Windfall Elimination Provision and the Government Pension Offset imperative. Because of the economy, assumptions we made when we retired are no longer accurate even though we did careful planning, invested wisely and met with all sorts of financial advisors over the years.

Like many others in this country, our nest egg, the money we counted on during retirement, has shriveled to less than 50% of its value two years ago. We also aren't making the money on our investments that were predicted at the time of our retirement. We have two older model cars, both of which need to be replaced. We hate to take out an automobile loan but may be forced to do so. We haven't had a mortgage in 12 years, but may be forced to take a home equity loan to make ends meet. And I am very concerned that my husband may predecease me for I know I will receive absolutely no spousal survivor benefit from social security because of the

Government Pension Offset—unless you call $45 a month a benefit from 45 years of employment.

Ironically, both of us have continued to work since retirement and are still contributing to social security—money that we will never see and which will not increase our benefit.

The Windfall Elimination Provision and the Government Pension Offset are bad public policy and were passed under false assumptions. We're not talking about wealthy individuals. We're talking about teachers in 15 states and public employees—policeman, firefighters and federal employees—in all 50.

It's time to repeal the Windfall Elimination Provision and the Government Pension Offset.

Statement of Stanley M. Kazmerski, Dixon, Illinois

I am a recently retired State of Illinois employee. In addition to my public job I worked as a self employed consultant for 14 years part time and then the last 11 years full time. So after paying into Social Security for 25 years (both employers and employees portions) I was very upset when my social security, I paid for, was reduced by 60% because I had been a public employee.

Statement of Hugh Keene, Auburn, Maine

Thank you for giving me the this opportunity to write to you. I am a retired teacher as is my wife. My wife is 4 years older than me, and when she went to the Social Security office on turning 65 she was told she did not have enough credits to receive social security. I retired at age 60 and at the time I did not have enough credits for social security. However, I worked part time after retiring, and by age 65 I had enough credits. This meant we both went on Medicare. However because she did not sign up for part B of Medicare until three years after turning 65 she was penalized 30% for signing up late even though at the time neither of us could qualify for social security or Medicare! My wife had stayed home several years to raise the children, and so her pension from the state is very small. However, because she has a small state pension, she cannot get half of my social security and must pay for Medicare part B at a rate 30% higher than others. Our friends down the street worked for a private company and got a pension from the company. He also has social security and she gets half of his benefit even though her pension is much greater than my wife's. Certainly is most unfair to penalize someone simply because her pension is from one of the states that is affected by the Social Security Government Pension Offset. All we ask is fairness. My wife worked several years under social security, but did not earn enough credits to get social security on her own. Now she is punished again for having a small state pension and cannot get half of my benefits. Why does the national government allow this unfair practice to take place. Please repeal this most unfair law.

Statement of William J. Kelly, Visalia, California

After serving four years active duty with the United States Air Force and 31 years as a California law enforcement officer at both the local and state level I discovered, upon applying for my Social Security benefits at age 65, that I will only be entitled to receive approximately 40% of what I normally would be entitled to receive due to the Social Security Offset.

Additionally, I received my Masters degree and teaching credential, and taught at two local Community Colleges and one private Junior College. I also taught lecture classes and facilitated small groups for court-mandated participants as part of the first offender DUI program.

So, after paying into Social Security since 1953 by working before, during, and after my law enforcement career I find I am somehow a "second class" citizen when it comes to obtaining my "full" Social Security benefits. Let's correct this unfair and unjust system. Immediately. And I am reading there is consideration of letting Mexican nationals into our system??

Statement of Wanda Kirkpatrick, Flower Mound, Texas

It is not fair for men and women to pay social security and then be told that they do not qualify for any benefits. As a widow I would never have to rely on my family if I were to get my social security benefits. There are many widows who are near poverty level who had an upstanding job all their lives. Then to retire and realize that those benefits are not here for them. The GPO is an unfair law that should be repealed because it is not said that your spouse is a public servant and therefore is not eligible for benefits. Thanks.

Statement of Mary Knepp, Moline, Illinois

I am strongly in favor of H.R. 349. This bill will provide fairness to many retirees who contributed to Social Security.

Statement of Don Koesler, Mount Morris, Illinois

We urge the House Ways and Means Subcommittee on Social Security to repeal the WEP and GPO laws initiated in 1979 and 1983 that impact workers in 15 out of the 50 states in the USA.

Teachers and other public sector employees are all being discriminated against and robbed of benefits they paid for, earned, and deserve. These two laws, GPO and WEP do both of these things. Congress, as many of us recall, passed these two laws in 1979 and in 1983 because Congress had steadily robbed the Social Security Trust Fund for years. So, they decided to help the Social Security Trust Fund out by withholding benefits that had been honestly earned and counted on by the people that now get reduced or totally denied benefits in the 15 states that have state pension plans. Congress pours all kinds of money into questionable things! Now Congress is stealing from its own citizens to help deal with the problem created with the Social Security Trust Fund.

Playing games with the Social Security Trust Fund like Congress has been doing is political suicide, so stop doing it!

Some say these laws are double dipping. What a laugh! Private sector people get both a pension and Social Security from the same job. If anything is double dipping, that is. The rest of us that paid Social Security while doing one job and paid the state pension on another completely different job are the ones said to be "double dipping." What an insult!

U.S. citizens do not like being robbed by anyone, let alone their elected representatives like has been done to hundreds of thousands of us. We have earned our Social Security and pension benefits with our hard work and the money we have paid into it. We want our money. It is ours—completely ours—earned and paid to both Social Security and the pension plan. Give us our money—stop stealing it!!!!

We all hear how important it not to discriminate against others for any reason, yet here our own Federal Government is doing exactly that. We are not supposed to, but you can, because we are just ordinary working class people and you are in a position of power.

We are tired of being treated as second class citizens. And yet all we hear is how highly teachers, policemen, firemen, postal carriers, etc., are valued. Actions by the U.S. Congress speak much louder and more clearly than any words. When the word gets out, who would want to be a public employee. Who??

- Personal Stories:

  Both my wife and I have worked part of our years as teachers and in the private sector C she as an administrative assistant and myself as a carpenter. There is no way anyone can support a family on what one earns when they start as a teacher C no way! Our new teacher's children qualify for free lunches at school.

My wife began her career as a teacher and taught for seven years before taking time off to raise our two children. She went back after eleven years as a part time Reading Improvement Teacher and eventually as half time Reading Improvement Director. She always applied for full time positions where she was always told that she was too over educated and qualified to be considered. She had twelve years of teaching experience and a Bachelors Degree plus 28 hours. After the final rejection in the district where she had taught for 12 years, the Superintendent, told her that she was the candidate of choice, but the school board would not hire her because

she was "in today's market, overeducated and over experienced" and hence, too expensive for them to hire. She saw that she had no future in her chosen profession of education after all the time she had spent in it.

She went on to have career counseling and took classes and has become an administrative assistant. She has worked at this position for 9 years. However, it comes to our attention as we plan for retirement, that she will not be able to receive both her teacher's pension (12 years) and her Social Security benefits. She was displaced from her career of choice (teacher) and was forced to find other employment, the teaching profession no longer wanted her.

I have been a teacher for 36 years in the same school district. My concern is much like my wife's. I worked for many years during the summers as a union carpenter and received many Social Security credits towards retirement, but now I find out that my Social Security benefits will be heavily reduced. What is going on here???

- Bottom Line:

  My wife will be getting more in Social Security than me, but will get nothing of my Social Security if I die—and she will get beaten up on her Social Security even though the years she worked under Social Security were greater than the years she worked as a teacher.

I will get nothing if my wife dies from Social Security, and will only get a small part of her teacher's pension—if anything.

I have worked 10 years under Social Security and will get a severely reduced amount even though I worked ¼ of my life as a carpenter.

Please consider bringing the 5 bills that are presently tied up in congressional committees to the floor of Congress for serious consideration of repeal. It is only right that people earn what they have been paying into all their working lives.

Statement of James Kopel, Moline, Illinois

I am asking for your support of the above bill. This bill would amend the Social Security Act to negate the Government Pension Offset and Windfall Elimination Provisions. Currently, our retirees within the State University Retirement System of Illinois who have paid into the Social Security System DO NOT receive the full Social Security Pension to which they are entitled simply because they have worked both in the private and public sector. That is NOT FAIR. It is hurting those of us who need all of the money from both systems to make ends meet. We worked in both systems so we could provide for ourselves and our spouses at retirement and then discover that we are penalized because we were ambitious enough to work many extra hours to provide for our needs.

Statement of Dorothea H. Kratzer, Midland, Ohio

When my husband and I were planning our retirement, we knew that I would not be able to receive full retirement credit from the years I was able to teach. However, with my share of his Social Security, and a small annuity, we felt that we were adequately covered. However, after I started teaching, the Offset Penalty was voted into effect and the Social Security he contributed to for over 35 years is not available to me. Currently I receive $203 a month as my share of his Social Security. It just is not fair—if he could rise from the grave in protest, I'm sure he would. One goes to college, marries, raises a family, and, in this country, expects to be able to retire in a comfortable situation. I'm only asking for benefits which my husband and I have earned—it's time to correct this injustice.

Statement of Larry Ladwig, Moline, Illinois

I am in support of H.R. 349 which would restore fairness for all Social Security recipients. If someone has worked enough to earn benefits, they should be entitled to all of the benefits.

New Lenox, Illinois 60451
April 25, 2003

Representative E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Room B–316 Rayburn House Office Building
Washington, D.C. 20515–6100

Dear Representative Shaw,

I am a high school teacher with OVER FORTY-QUARTER hours for social security. After college and the Army, I worked for two different companies for nine years in which I contributed to social security. Because of those years in private business I will not receive the maximum retirement benefits from my teachers' retirement program. I am 65 years old and just received my Medicare card. I will be retiring from teaching this school year with 31 years of service. You need 38 years for full benefits in Illinois. I will get two extra years credit for 340 days of un-used sick leave, but still short of the full benefits. Because of this, I think it is fair to give teachers their full social security benefits earned.

I teach in the business education department. In Illinois, all teachers in this department need at least 2,000 hours of private work. Of course, I far exceeded that requirement.

Sincerely,

Myril Lattz

Quartz Hill, California 93536–3175
April 11, 2003

Congressman E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Room B–316 Rayburn House Office Building
Washington, D.C. 20515–6100

Dear Congressman Shaw,

Below is a copy of a letter I sent to Mr. McKeon on August 18, 2002. I have since retired.

Sincerely,

Gary C. Layton

Quartz Hill, California 93536–3175
August 18, 2002

The Honorable Howard "Buck" McKeon
2242 Rayburn HOB
Washington, DC 20515

Dear Representative McKeon:

I would like to inquire as to the status of H.R. 2638.

I paid into the Social Security system for 33 years and accumulated 94-quarter units during that time. This is over twice the required number of quarter units required to qualify for Social Security benefits.

The last 12 years I decided to dedicate my life to public service by working for the County of Los Angeles Fire Department.

Because I was a low wage earner for many years while working under the Social Security program I only accumulated 22 "substantial years." This action will cause me to lose 45% of my monthly Social Security benefits when I retire.

This seems extremely unfair to punish me for dedicating the remainder of my working years to public service.

I am going to have to retire soon because of physical limitations. I hope H.R. 638 is resolved in the near future, as it would be a blessing to me to receive the entire Social Security benefit that I have earned.

I will be anxiously awaiting your action on this pending legislation.

Sincerely yours,

Gary C. Layton

Statement of Carol Lewis, Salem, Ohio

I am one of the people affected by the offset which prevents me from collecting any social security benefits.

My husband passed away in August of 2001. I should be entitled to benefits as his widow. Because of the offset, I do not receive anything. I filed for Medicare under his account (as directed by Social Security office), but I still have to pay the premium.

My State Teacher's Retirement benefits are not sufficient for me to live on. I have to take a monthly draw from my investments to subsidize my income. If I could receive my entitled benefits from Social Security, I wouldn't have to withdraw from my investments so heavily. At this point, I'm not sure that my nest egg will last. I have considered returning to work, so that my investments are not depleted so quickly.

Whether I do go back to work or not, I feel that receiving my widow's benefits is more than fair. From what I understand only a small number of states penalize teachers and other public employees by refusing full Social Security benefits.

I wish to add my full support to eliminating the offset.

Statement of Sharron Pearson, Lewisville Area Retired School Personnel Association, Lewisville, Texas

As the president of the Retired Teacher's Association in Lewisville, Texas, I would like to encourage you to repeal the Government Pension Offset and Windfall Elimination Provision.

Many of our members have had their Social Security Benefits unfairly reduced, or eliminated entirely. Because many of our members retired 10 or more years ago, their pensions are not large. Several have lost their spouses and expected to get at least a portion of their Social Security benefits. This has not happened because of GPO and WEP.

These people have dedicated their lives to the service of the children of Texas, and they need your support. Repeal the Government Pension Offset and Windfall Elimination Provision, and send the message that their hard work is appreciated.

Statement of Mary Linz, Bangor, Maine

Thank you for giving me this opportunity to write to you.

My name is Mary Linz. I am a teacher and taught 19 years in Maine. I taught 3 years in NY before moving to Maine. (I get no retirement benefits from NY.) I also took 10 years off to raise our two sons to school age. Consequently my Maine retirement is quite low. I get about $750.00 a month after health insurance and taxes. I also pay $58.70 a month for Medicare. (That's going up to $65.70 next year.)

My husband is also a retired teacher, but built up 18 years SS in NY and at other jobs. He, of course, is subject to the WEP. He gets $344.00 a month after Medicare. Because his SS is so low, my pension completely cancels any survivor benefits. Fortunately, we knew this when he retired.

Because I will probably outlive him by several years, he is only taking 80% of his Maine retirement so that I may continue to collect after he is gone. Otherwise I would have barely enough to survive on. This means that he does not get his full SS, and does not get 20% of his earned pension. This causes us to have a considerably lower retirement income than has been earned.

Even if the SS offsets were repealed, he would not be able to collect his full Maine retirement because once the choice has been made at retirement, it can not be changed. This is just another example of how the SS Offsets affect the retirements of those subject to the GPO and WEP.

Brecksville, Ohio 44141–2729
April 28, 2003

The Honorable E. Clay Shaw;
Chairman, Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Room B–316 Rayburn House Office Building
Washington, D.C. 20515–6100

Dear Congressman Shaw,

As retired secretary to the Business Manager of Brecksville-Broadview Heights City Schools, Brecksville, Ohio, I am writing about the two unjust Social Security provisions that affect hundreds of thousands of educators and other public employees across the country. These provisions are known as the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). I urge Congress to enact legislation repealing these two Social Security provisions.

The GPO eliminates or reduces the spousal benefit by two-thirds the value of a person's retirement benefit. The WEP reduces, but does not eliminate, a portion of an individual's Social Security earned from work outside public employment.

After 11 years working and paying into the Ohio State "School Employees Retirement System" (SERS), my husband and I are affected by both the GPO and the WEP. Of my SERS benefit of $243.22 I actually only receive $68.92. Very little benefit for 11 years of work.

My School Employees Retirees System pension:	$243.22 per month
Social Security benefit from previous employment and spousal benefit:	$732.50 per month
TOTAL BENEFIT PLANNED FOR RETIREMENT:	$975.72
Affect of GPO/WEP:	minus $174.30
ACTUAL RETIREMENT BENEFIT:	$801.42

Persons working in other occupations can receive multiple pensions with no reduction in Social Security. Even immigrants who never paid into Social Security are entitled to receive benefits under Social Security SSI.

Thank you for taking this matter into consideration.

Sincerely,

Joanne Lundstedt

Statement of Jacalyn J. Lynch, South Paris, Maine

Thank you for giving me this opportunity to write to you.

My name is Jacalyn Lynch, I am writing you today to ask you consideration of amendment of the GPO/WEP rules governing Social Security benefits.

I live in South Paris, Maine where my husband and I lived for the past 24 years. We have raised our three children here and we both have worked hard to maintain a standard of living that we feel has provided our children and ourselves with a good life style. My husband has worked over the past 32 years for a local machine shop that is a leader in manufacturing of precision machine parts. I stayed home or worked part time under Social Security for many years while raising our three children. Over the past 15 years or so I have worked full time as a medical secretary or receptionist. This was all under the Social Security system until 3½ years ago when I decided to take a position as Medical Records Clerk at the Maine Veterans' Home here in South Paris. Maine Veterans' Homes have a wonderful reputation of serving elderly and infirmed Veterans of Maine with the highest standards of care found anywhere in the United States. I enjoy my job and I love the opportunity to

give back something, all be it in a small way to the men and women who laid their lives on the line for our freedoms.

The Maine Veterans' Homes organization is under the Maine State Retirement System. It was not until after I took this position with the Maine Veterans' Homes that I realized that I would not be able to receive full benefits from my contributions to Social Security if I continue to work there.

Now at age 54 with my husband aged 59 I am faced with the dilemma of either staying at the Maine Veterans' Home, which I truly want to do until retirement, or being forced to leave this position for another under the Social Security system in order not to loose my full Social Security benefits upon retirement.

I understand why the GPO/WEP programs were instituted. However, somewhere there was a deviation from what I think the Subcommittee on Social Security meant to do when they passed this amendment. I do not "double dip." I do not hold another job under Social Security at the same time I hold a job under Maine State Retirement. I do not plan to do so. I do not understand why I am being penalized from receiving full Social Security benefits upon retirement if I will also be receiving some Maine State Retirement System benefits. I worked hard under Social Security, and did not double dip then. I work hard under the Maine State Retirement System and I do not double dip now.

One more factor I wish you to consider. Even though both my husband and I have worked hard over the 36 years of our marriage, never taken a hand out, never asked for help, raised 3 children, 2 of whom are contributing to society with their respective spouses, working hard and raising their families and the youngest who is just completing her junior year at Emmanuel College in Boston, (most of her tuition is paid by a scholarship from the college, because she has such a strong work ethic and the grades to match), she wants to come back to Maine to live and work after graduation. We, my husband, my children and myself *are* one family of many who "make America work." We take pride in our contributions to our work and our community. I especially take pride in serving Maine Veterans.

Now all that said, why is it that I face an uncertain future in retirement? I have never made a lot of money, never had a lot of benefits that would be channeled into funds to supplement my retirement. When I do retire it will not be to live some dream life in a fancy home with paid help if I need it, not much travel will be affordable. But just to be able to hold on to our home for a longer period of time, to be able to take our grandchildren out for a day at the amusement park, not much to ask is it? My husband and I both have contributed to 401K's and now I have to contribute to a 403B plan. A few years ago we thought we would be ok after retirement. We have lost most of what we had in the recent economic environment. Not because we were foolish, not because we took risks, just because we went along with the advice from our financial advisors.

Now you are telling me that because I choose to work to be a small part of an organization that makes life better and nicer for Maine Veterans I will have to be penalized! That is just not right. I know I am not alone; some of our homes have lost good employees because of this very same factor.

I ask each and every one of you on the House Ways and Means Committee, Social Security Subcommittee to think twice about what kind of an impact this is going to have on the future of this country. Those of us who only want to change our jobs in order to better serve the community and the country and in my case the Veterans of Maine will be the next generation of poor elderly in this country. And I am sure each of you knows that if there is one thing that says a lot about a community, a state or a nation it is how the elderly population is treated, cared for and respected.

I am sure you will each give this your most careful consideration. Yes there may be double dipping in some segments of the Social Security system. However, those who choose to serve our community by taking a job that is not under the Social Security system should not be penalized!

Thank you for your time and consideration.

Statement of Judy Lynch, Roseville, California

Imagine my shock to find out that I may lose 60% of the Social Security benefits I have worked so hard to earn. I ask your help so that this does not happen.

I am a 1st grade teacher and Reading Specialist at Madison School near Sacramento, California. Early in my career, I took a break of 9 years to raise 3 terrific children (just a mom bragging!). I will never regret those years on a tight budget, driving my husband to his high school teaching job in a used van, because we could

only afford 1 car on his salary. I knew I was missing years towards retirement but vowed to make it up when our children were older.

That's what I did. After returning to full time teaching in 1984, I looked for ways to supplement our income for the kids' college tuition funds and build my Social Security credits. After school, and during the summers, I worked to build a small business as a Language Arts Consultant. I worked for districts around my area training teachers in the latest reading strategies. I am still doing that, now nationally, to help implement the No Child Left Behind Act. I also became a published author—writing books on weekends and in any spare moment. Scholastic in New York published my two professional books for teachers in 1998 and 2002. All the extra income earned Social Security credits towards my retirement through my small business.

Now, I am told, that because I am a teacher and a member of the State Teachers Retirement System in California that my Social Security benefits will be reduced by 60%. Is this fair to a mom who stayed home to raise her children and then worked twice as hard to make up for it? My Social Security income should not be considered "double dipping" because I did it all on my own time: weekends, after school, and my vacations!

Committee members, I will be retiring from teaching in 6 years. I love teaching little kids to read—it is my passion. I also love training teachers to do the same—especially teachers of Title 1 students in areas of high poverty. I also have been a successful mom to Michael, Shannon and Kevin. Please do not penalize me in the retirement benefits I have worked for and earned 100%.

DeLeon, Texas 76444
May 13, 2003

The Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

To Whom It May Concern:

I have been in education for fifteen years. Prior to teaching I was a stay at home Mom for twenty years. I helped my husband on the family farm and raised my two boys. Now I am aware that if something happens to my husband I cannot collect his social security. If I had never gone to work I could have received his benefits but since I went into education I am being penalized. To add insult to injury if I died he could collect my teacher retirement and his social security!!!! Where is the fairness in the scenario? This is the thanks that teachers get for working with the future leaders of our country?

For elected officials there is no limit on the retirement options available to them. They can collect from private employment and government retirement. Why should they get both? We as teachers only want what we and our spouses have paid into all our working lives. What we have earned and paid taxes on, its ours!!!!

Thank you for your consideration in this matter,

Darlene Mathis

Statement of Loretta and Carl Mayhew, Cherryfield, Maine

Thank you for giving this opportunity to talk to you regarding the GPO and WEP offsets.

Our names are Carl and Loretta Mayhew, and we are both members of the Maine State Retirement System. We live in Cherryfield, ME. I, (Loretta) am retiring at the end of the current school year after 22 years as a teacher. Before that I worked as a secretary, a blueberry factory worker, and other types of low wage jobs. I have my required 40 quarters paid in to social security with minimal income levels. The application of the 60% or more offset will give me about $50 for social security benefits. I will not receive anything from my husband's social security benefits if he predeceases me! I will have only my MSRS pension which will be approximately $15,000 minus health insurance of which we have to pay all but 35% of the premiums and any other deductions that are taken out.

Carl, my husband, has 18 years as a teacher in the public school system. He got done in 1993 from Cherryfield Elementary School and went into full-time self-employment as a land surveyor. We pay in regularly for self employment taxes. Therefore, his MSR pension will also mean that his social security pension will be offset as well. By the time health insurance and the offsets are done with us, we will be receiving close to poverty level income. This means that one or both of us will have to continue working for several more years.

I truly believe that our social security benefits are being stolen from us when we earned and paid in good faith for many years! I also believe that we as citizens of the United States should be placed at the front of the line for social security benefits before these benefits ($345 billion?) are paid to illegal immigrants from Mexico and other people from other countries as well receiving benefits. I am totally against building a S.S. Administration office in Mexico and doling out to the Mexicans what should be rightly ours. (I have nothing against them personally).

As a teacher of career preparation classes, I have not been able to recommend to my students who have perhaps been interested in going into the teaching profession that they do so because of all the inequities which teachers are faced with. All other state workers receive 100% health benefits during their retirement years. We receive 35%. We are considered state employees but we are not treated the same.

We urge you to vote for the total repeal of the Government Pension Offset and the Windfall Elimination Provision.

We have as much right to our social security benefits as any other employees who have worked under the social security system.

Statement of Perry McCall, Houston, Texas

I have always wanted to teach; to make a difference in students' lives and to help them make connections from the past to the present. My undergraduate and graduate studies and my year of study abroad helped to expand my knowledge and life experiences so that I could do my best to share the underlying causes both human and physical that shape history. With a MA in history, my first year of teaching I made the magnificent sum of $8,000 in 1972. Texas Retirement got a portion of even that. I had no option to get Social Security.

After my son was born, I returned to teaching in 1976, but found that my then $9,000 salary barely covered child care and the "deducts." So I retired from teaching, did lots of volunteer work, had twins, raised them, carpooled them, did all the non-compensated "Mom Stuff" and occasionally did some part time work for which I earned Social Security.

When my twins were in the 8th grade, I began to substitute teach to see if I had what it took to teach in the computer age. I was called on *continuously*. (It is not often school districts have substitute certified teachers with masters' degrees.) As a sub I earned about $7.50 an hour . . . less than my yardman. But still, if I worked very hard 90/180 days, Texas Retirement would "let" me pay for a year of Retirement. So I did for 3 years. The district took advantage of me and called me for long term subbing (which was really full teaching but at sub rates). Eventually my twins moved on to college and I ended my 21-year baby leave and worked full time. In 1996 @ $28,000. Again I paid into TRS (retirement). I had no option. (They do not give a choice of SS).

Then in 1998, 2 things happened, the State of Texas gave us a long overdue raise and Houston Community College hired me as an adjunct teacher. Students taking my Advanced Placement American History class were eligible for Dual credit. They can earn both high school and college credit. (My masters in U.S. history was finally valuable to someone.) Oddly I pay into Social Security for the small stipend I receive from HCC. But now I am paying more into TRS because of my raise as a high school teacher.

Meanwhile all this time I have been married to Michael M. McCall who served 4 years in the army (Vietnam era). He has been working (and paying into Social Security ever since 1971). We have been told that because of the supposed "windfall" tax, I am ***not eligible*** to receive my TRS benefits because it will reduce either or both mine and my husband's benefits (in the event of his death). This seems remarkably unfair. We are the silent majority working hard. I put in 12-hour days at school, and then go home and grade! When I face a stack of essays, quizzes, and maps and think that I am paying money into TRS that I will never see because Social Security will penalize me for working, I feel very discouraged. I think why am I doing this? Although being selected for Who's Who of America's Most Outstanding Teachers is nice, it won't pay the bills in my old age.

Can you *please* help us receive what we earned and paid into Social Security and TRS without being penalized *for* working. This unfair windfall tax is a disincentive to work. I have students now at Harvard, Princeton, U of Penn, Cal Tech, Stanford, Vanderbilt, BU, Yale, Dartmouth, Rice, Duke, University of Virginia, W&L, Hollins, NYU, LSU, and **all** the Texas schools among others. My students do very well on the U.S. History AP exam. I am a really good dedicated teacher . . . I am also one of the many thousands of teachers, who are approaching retirement, full of knowledge, but wondering who will care for us. Our pensions are at risk. Tell me; with the windfall tax on the books . . . explain to me why I should not just retire early. If we do (there are many of us), the teacher shortage will be increased. But worse, will be the loss of so many excellent dedicated teachers.

Hoping that you will change this punitive tax so I can continue doing what I love. Teaching.

I remain hopeful and serving America's future.

Statement of Carolyn McCormick, Beaumont, Texas

The United States House of Representatives has done to me and other school/public servants what ENRON did to their employees in reducing or eliminating earned retirement benefits. For 19 years, I paid into Social Security through private sector jobs before working as a secretary for school districts in Houston, Dallas, and presently for the Texas Education Agency (TEA), Region V in Beaumont, Texas. For my prior earned Social Security benefits to be reduced because I will now retire from TEA that does not withhold Social Security singles me (and thousands of other public servants) out unfairly for reduced benefits that I earned by paying into Social Security for 19 years. This is unconscionable.

My pension will not be a windfall because I have paid into the Texas Teacher Retirement System (TRS) for fewer years than I paid into Social Security. At 56 years of age with 13 years of TRS credit, my pension is estimated at $367 per month. My earned Social Security benefit is estimated at $643 per month before being reduced approximately $300 per month by the WEP requirements. Where is the windfall?

For me to also be denied full spousal Social Security benefits due to the GPO as a widow from my husband who paid into Social Security for 40 years is just as unconscionable. I am part of a group being singled out unfairly.

This is the first time I have ever written to a member of Congress asking for support. No issue you have worked on or ever will work on in the future will be as important to me and thousands of other public servants as this. PLEASE ENDORSE AND SUPPORT THE SOCIAL SECURITY FAIRNESS ACT, H.R. 594 and repeal these grossly unfair and unjust laws.

Statement of Melissa Means, Nome, Texas

Thank-you for giving me the opportunity to give my testimony. I am 36 years old and began teaching 4 years ago. Previous to my career as a teacher I worked in the "corporate world" where I didn't work nearly as hard and received much better benefits and salaries. Now I work much harder, receive less money and poor benefits, but the job satisfaction and rewards are excellent. I also have paid into social security for over 15 years.

Before I decided to become a teacher, my husband and I contemplated our financial situation to make sure we could continue to lead a comfortable lifestyle with the cut in pay I would endure as a teacher. We also researched the information we had for our retirement. Because neither of us are vested in a retirement program and my husband is self-employed, we obviously used social security benefits as planning for part of our retirement. This was obviously before I was aware of the GPO and WEP. We knew that we would have to put extra money aside because my husband is self-employed. We also knew that between the money we put aside and the social security benefits we thought we would receive would suffice us for our golden years. Now that we are aware of the unjust laws in the GPO and WEP, we are extremely concerned about our retirement. This is a greater concern if something were to happen to my husband first. The facts are that I only bring home $1,200 a month after taxes, retirement and health insurance premiums are deducted. Yes, that is NOT a typo, it is $1,200 per month. This is poverty level. My husband is also 13 years older than I am and has been paying maximum social security and matching it for 10 years assuming that we (or one of us) would be able to benefit from his hard work one day. Please explain to the committee why I should be punished and

forced into poverty if something were to happen to my husband because I made a decision to teach our future leaders. The facts are very clear to me and I am second-guessing my decision to become a teacher. I teach 7th grade math and do a very good job. I enjoy my job and would love to continue to teach. I feel that I am teaching while gambling with my family's livelihood due to the unfair laws that you can fix.

I am aware that these unfair laws do not single out teachers and they affect other government workers. However, you need to realize that most government workers do have much better benefits than teachers. For example, they can retire with full benefits after 20 years. Teachers cannot do this. This allows those government employees to subsidize their retirement with other careers. Teachers have to subsidize their income as opposed to retirement by working on their vacation (summer). This again only helps the government because it forces teachers to pay even more social security that they will not be able to receive. That is unless you do something to change that. Other government workers also receive excellent health benefits without paying extreme amounts for them. Teachers do NOT receive this. Any extra money teachers could be putting away to help subsidize their retirement usually has to be used for the high cost in health insurance premiums. I am currently paying $650 per month for family health insurance. I had to decline family dental coverage due to affordability. So, in a way, yes we are singled out. The way I perceive it is we are treated as "government" employees when it benefits the government (i.e., social security) and we are NOT treated as government employees when it comes to benefits other government employees receive (i.e., years to retirement, low cost health and dental insurance, vacation days). If we have to follow "government" employee rules on any issue I feel we should be treated as government employees on ALL issues. Currently we just receive the ones that benefit the government.

PLEASE eliminate the unfair GPO and WEP. You hold the key to giving teachers what they rightfully deserve and have earned. I have paid into social security for over 15 years and my husband has paid the maximum for 10 years. We should not be punished because I teach.

Again, I thank-you for the opportunity to have my voice heard. I am very proud to live in a Democratic country where my freedom is preserved.

PLEASE ELIMINATE THE UNFAIR GPO AND WEP BY VOTING FOR H.R. 594.

Statement of Jonathan P. Meyerson, Chevy Chase, Maryland

As a retired employee of the Federal Government who has been impacted by the Windfall Elimination Provision, I wish to express my satisfaction at how well the provision works for taxpayers and for myself.

I worked for 32 years for the Federal Government, primarily in various offices of budget and legislation, in OMB and other agencies and departments. During that time I realized how important it is to use Federal funds only when it is appropriate and worthwhile for society. The Social Security retirement system provides additional funds for those poor people who worked a short time and at low wages, so they would be able to provide enough income for necessities of life.

The Windfall Elimination Provision was enacted to cut this bonus for individuals, such as myself, who have earned large pensions from the Federal Government and do not deserve this bonus.

Both the Government Pension Offset and WEP make a lot of sense and I strongly believe there is no reason to make any changes—even though I would benefit if the Windfall Elimination Provision was revoked. I would be happy to testify in person, if you believe that would be useful to the Committee.

Bridge City, Texas 77611
April 25, 2003

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Room B–316 Rayburn House Office Building
Washington, D.C. 20515–6100

Dear Sir:

This letter is concerning how the GPO/WEP offsets affect me personally.

My name is Sally Montague and I retired from Jasper ISD in Jasper, Texas. At the time I retired in 1997, the Jasper School District did not pay into Social Security. However, I had worked in the Port Arthur ISD that did deduct my salary for SS benefits and I had worked in some other businesses where I earned over 40 quarters of Social Security. Since I had a SS work record, I did not think that this GPO/WEP law would keep me from getting my own benefits. One year later my husband passed away and when I reached the age of sixty I tried to get the widow benefits from SS. Our Port Arthur SS office said that because I retired from a school district that did not pay into Social Security at the time of retirement, I would neither get the widow's benefit nor any of my husband's benefits. He had been a minister for many years and I helped him pay into SS quarterly. This did not seem too fair. Also, the SS office said that I would only get one-third of my own SS benefit payments when I applied. They encouraged me to wait until I was 65 so I could get more of the one-third amount. Needless to say, I was a very upset widowed teacher.

Since finding out this information and having a house, insurance, car, groceries, utility bills, and other living expenses I went back to work at a private school. I have worked four out of the five years after my husband died. My mother is still living with Social Security as her only income. Since she has high medicine bills, I am helping her to maintain her living expenses. This is another added expense that I have.

Please repeal the GPO/WEP that is so very unfair to widowed Texas teachers and other public service workers. It may mean just a few hundred dollars a month, but that will help greatly.

Thank you for reading my testimony.

Sincerely,

Sally Montague

Statement of Walter Olihovik, National Association of Postmasters of the United States, Alexandria, Virginia

Chairman Shaw, Congressman Matsui, and Members of the Subcommittee I am Wally Olihovik, President of the 42,000 member National Association of Postmasters of the United States (NAPUS). NAPUS represents the approximately 27,000 postmasters in the United States, as well as retired postmasters.

It is a privilege to share with you my thoughts about how current social security provisions adversely affect a large number of public employees. Specifically, I would like to address the unfair financial burden that many NAPUS members must endure as the result of the "government pension offset" (GPO) and "windfall elimination provision" (WEP). Pending before your Committee are three different ways to address the social security penalty imposed on retirees, such as retired postmasters. One strategy would be to do nothing; another strategy, as proposed by Representative William Jefferson and Representative Barney Frank, would be to reform the way in which the GPO and WEP are to be calculated; and the final method, as offered by Representative Buck McKeon and Representative Howard Berman, would be to repeal totally the GPO and WEP. As the Meatloaf song goes: "two out of three ain't bad!" Clearly, the Subcommittee should pursue legislation that reduces, if not eliminates, the unfair burden shouldered by many former public employees.

The GPO unjustly taxes government annuitants, including retired postmasters, who are also eligible for Social Security survivor benefits. The offset provision slashes the social security benefit by two-thirds of the amount of their federal annuity. It is possible for a retired postmaster to receive no social security survivor ben-

efit to which they would otherwise be entitled. Postmasters do not qualify for a large pension. Many have managed small post offices for which their salary history yields a subsistence CSRS annuity. Moreover, a large number of retired postmasters happen to be female, who may have interrupted careers that compound their limited CSRS benefit. These are the NAPUS members who are most injured by the GPO.

Many NAPUS members suffer from the WEP, which dates back to the mid-1980s. This social security provision also unfairly punishes many public employees. The WEP cuts the earned social security benefit by up to 50 percent, for the sole reason that an individual chose a career path in the public service. Public employees should get full credit for their employment no matter if they pursue public or private employment.

Mr. Chairman, there exists a fundamental misunderstanding of the Civil Service Retirement System. This misunderstanding has bred the present unacceptable and financially harmful situation for countless postal and federal retirees. The CSRS is not a social insurance program, like the social security system. It is an employer-sponsored defined-benefit pension plan, similar to private sector plans. Its interaction with social security should resemble the interaction between private plans and the social security system. In this way, public employees including postmasters will be treated with the respect and fairness they deserve.

Mr. Chairman, thank you for conducting this hearing and providing NAPUS with opportunity to share our views. We encourage you to expeditiously report legislation to correct the unfair financial plight suffered by so many who are committed to public service.

Statement of Frederick H. Nesbitt, National Conference on Public Employee Retirement Systems

Good morning. My name is Frederick H. Nesbitt, Executive Director and Legislative Counsel of the National Conference on Public Employee Retirement Systems (NCPERS). My organization represents over 500 public sector pension funds that cover firefighters, police officers, teachers, and state and local government employees. NCPERS is the largest national, nonprofit public pension advocate. Since 1941, we have protected the pensions of public employees. We represent pensions on Capitol Hill, provide trustee education, and deliver essential pension information to trustees, administrators and public officials.

We appreciate the opportunity to share our views with the Subcommittee on Social Security on the issue of mandatory Social Security coverage of non-covered state and local government employees. NCPERS was founded 62 years ago to stop the federal government from disrupting and dismantling public sector pension funds by requiring them to be part of Social Security. That remains one of our primary goals today.

The Social Security system provides coverage for virtually all segments of American society including most, but not all, state and local government employees. When the system was established in 1935, state and local government employees were initially excluded. Some of these employees subsequently made a decision not to be included, instead developing their own retirement and benefit programs tailored to their occupational needs. In many instances, these retirement programs predate the Social Security system. These state and local government retirement systems are solvent and require a contribution by both the employer and employee, in most cases NCPERS opposes expanding Social Security coverage to non-covered state and local government employees. Public sector employers were required to create separate pension plans for their employees when they were excluded from Social Security. Requiring Social Security coverage would undermine these plans and place unnecessary financial burdens on state and local government employers and employees. These public sector funds designed their retirement benefits to meet the needs of their employees, including such unique characteristics as retirement ages, disability benefits, survivor benefits and death benefits. Because of the unique makeup of the public sector workforce, many employees, such as public safety officers, have earlier retirement ages or mandatory retirement, higher disability rates, earlier deaths and earlier disability retirements. All these factors are accounted for and provided by the public sector plans.

In most cases, Social Security would not provide these employees with coverage because of the age at which these employment events occur. Public safety officers, for example, do not work until age 65 (or 67 when the age is finally raised), but retire at an earlier age because of the stress and hazards associated with the job. Likewise, the public sector plans have been designed to recognize the fact that the

employer must be prepared to provide disability retirements, sometimes at an early age before an individual would qualify for Social Security benefits.

Making Social Security mandatory would have little impact on the projected funding shortfalls of Social Security system. However, such a move would greatly affect public employees. Public employees not covered would be required to pay an additional 6.2% in payroll taxes in addition to what they are now required to contribute to their public pension plan. Unlike most private sector employees who do not contribute to their employer-sponsored pension plan, public employees, for the most part, make an employee contribution which is combined with the employer contribution. These contributions are then invested in securities, with the investment returns paying a large portion of the pension obligations during the lifetime of the employees and survivors.

Mandatory coverage would be costly to states and localities. As employers, states and localities would also be required to pay an additional 6.2% in payroll taxes on top of what they already contribute to the pension fund. These employers are currently facing severe budget shortfalls. These governments must balance their budgets, therefore, adding such a financial burden would require them to either increase taxes or reduce government services. For example, this would cost California over $2.3 billion in additional expenditures annually, Ohio $1 billion annually, and hundreds of millions to Texas, Illinois, Colorado, Massachusetts and Louisiana. These states are already in a financial crisis and do not need an additional burden. In addition, the current economic climate in the states and local governments has forced some employers to layoff firefighters, police officers and teachers, thus making those remaining do the same job, but with fewer resources.

Mandatory coverage would be disruptive to existing retirement programs. Many public employers would be unable to absorb the higher costs. Either they would be required to continue funding their respective retirement plans, in addition to the Social Security tax, or severely reduce or eliminate current retirement benefits. The loss of the investment returns on these pension funds, which averages over 8 percent per year, would add an additional burden to the employers. A situation would be created whereby no new funds would be going into the pension assets, but retiree benefits would continue to be paid. Eventually, the funds would run out of money, thus placing the retirement benefits of millions of employees in jeopardy. Many of these plans are established constitutionally and to make such a change would require legislative action and/or constitutional amendments.

It is a given that mandating coverage of non-covered state and local government employees does not improve the financial stability of the Social Security system. It solves approximately 10 percent of the funding shortfall in the short run, but adds to the long-term benefits payments, thus placing greater financial demand on the system. NCPERS believes that the Congress should solve the long-term financial needs of the system and ensure that Social Security is funded to guarantee and protect the benefits of all those who are covered.

Mandating Social Security coverage of non-covered state and local government employees is not the way to ensure Social Security's future and it will destroy existing public sector plans that are well funded and provide secure retirement benefits to millions of state and local government employees.

We thank you for the opportunity to express our position on mandatory Social Security coverage to the Subcommittee. We would be happy to answer any questions you may have.

National Conference of State Legislatures
Washington, DC 20001
May 1, 2003

The Honorable E. Clay Shaw, Jr., Chair
Subcommittee on Social Security
U.S. House Ways and Means Committee
Room B–316 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Shaw:

On behalf of the National Conference of State Legislatures (NCSL) I want to thank you for holding today's hearing and for the opportunity to share our concerns regarding mandatory Social Security coverage and offsets to Social Security experienced by state and local government employees. NCSL has opposed mandatory So-

cial Security coverage for state and local employees since the law was enacted. Similarly, NCSL supports reform of the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) as they apply to Social Security benefits paid to public employees whose incomes were earned in part or in full through uncovered public employment.

NCSL has consistently maintained policy in opposition to mandatory coverage of state and local government employees. Roughly twenty-five percent of state and local government employees, working in all 50 states are not covered by Social Security. These public employees are predominately teachers and public safety officers, whose primary retirement benefits are provided by their state and local government employers in accordance with federal law. Federal law requires these benefits to meet a minimum standard for contributions and benefit levels.

The application of mandatory coverage to all newly hired state and local employees would constitute a massive unfunded federal mandate on state and local governments. It would do little to extend the solvency of the Social Security system. Recent estimates of its cost exceed $25 billion over 10 years. NCSL supports federal efforts to reform Social Security and extend the solvency of the program. However, the nation's state legislatures do not support exporting the program's long-term insolvency to state and local governments.

While many state and local government employees do not contribute to Social Security through their state or local government work, they often earn Social Security benefits through other employment covered by Social Security. These benefits are subject to the Windfall Elimination Provision (WEP). Similarly, state and local employees may also earn a Social Security benefit as the spouse of a beneficiary who paid into the Social Security program. These benefits are subject to reduction by the Government Pension Offset (GPO).

NCSL supports efforts to lessen the impact of these reductions to the retirement income of state and local government retirees. NCSL maintains that the reductions imprecisely and unfairly reduce the Social Security benefits of government retirees. These reductions have unintentionally harmed a disproportionate number of women and moderate and lower-income state and local government retirees. As such, NCSL supports efforts to reform or repeal these reductions. This includes support for H.R. 887, S. 363, H.R. 594, S. 349, and section 207 of your own bill, H.R. 75, which would reduce the impact of the government pension offset by half.

NCSL supports reform of the Government Pension Offset and the Windfall Elimination Provision but questions the appropriateness of linking reform or repeal of these provisions to the extension of mandatory coverage. NCSL believes linking these provisions increases the burdens imposed on government employees and employers while doing little to solve Social Security's long-term financing concerns. Similarly, joining the provisions does little to strengthen Social Security's mandate to provide an adequate safety net for the system's beneficiaries.

We appreciate your consideration of the views of the National Conference of State Legislatures on this issue.

Sincerely,

The Honorable Felix Ortiz
New York State Assembly, and Chair
Labor and Workforce Development Standing Committee

Ohio Public Employees Retirement System
Columbus, Ohio 43215
April 28, 2003

The Honorable E. Clay Shaw, Jr.
Chairman
Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives
B–316 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Shaw:

Thank you for the opportunity to submit a written statement for the May 1, 2003 Hearing on Social Security Provisions Affecting Public Employees. The provisions that you plan to address at the hearing are very important to us.

On behalf of the Ohio Public Employee's Retirement System Board of Trustees and the more than one-half million active members and retirees served by our system, I am writing to express our firm opposition to mandating social security coverage on exempt public employees. There are a number of large states that would be severely impacted by mandatory coverage. In addition to Ohio, other large states that would be affected include Alaska, California, Colorado, Connecticut, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Missouri, Nevada, and Texas. In addition to these states, however, all 50 states have significant subgroups of non-covered employees since the vast majority of police and firefighters are also exempt from social security.

A GAO study reported in 1998 that mandating social security coverage of public workers would extend the solvency of the social security trust fund by only two years. Interestingly, the GAO study did not detail the increased social security liabilities that would be incurred by bringing in currently exempt public employees. In 1999, the Segal Company did an independent study that reported extending mandatory coverage would cost public employers over $26 billion for the first five years. Since then the costs have gone up and, even worse, most states are now facing budget crises.

Some proponents of mandatory coverage assert that bringing in "new hires" only would cause no financial damage to our systems or to our current members. That assertion is wrong. The fiscal impact of excluding new hires from our systems would be financially devastating to our pension funds over time. Our defined benefit plans operate under the critical actuarial assumption that employer and employee contributions and subsequent investment income will continue to flow into our systems at rates projected by the actuaries. Directing new hires to social security would lower employer and employee contributions coming into our systems and consequently lower investment income upon which our systems depend for nearly two-thirds of total income. As a consequence, mandatory coverage will over time dramatically undermine our financial ability to maintain benefits for current members and retirees. Mandatory coverage would thus force benefit reductions for both new hires and previous hires.

We understand that the hearing on May 1st will also address Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). There is no question that GPO has had a very harmful impact on many public employees, particularly women who entered the work force in later years and who worked in relatively low paying jobs. It is difficult to believe that the Congress ever intended that GPO should have the damaging impact that it has had on so many lower-income people. We urge the Committee to carefully consider changes and reforms in the GPO and WEP in order to moderate the unintended detrimental effects those provisions are having on public employees. Mandatory coverage would be no solution to this issue because, as described above, mandatory coverage would financially undermine our systems and result in significant benefit reductions for public employees.

I want to be clear in stating that we believe that social security should be preserved and strengthened so that it can continue to provide its very valuable benefits. Social Security needs a long term solution.

Finally, I cannot put into words the sense of betrayal that would be felt by the millions of non-covered workers who have placed their faith and confidence in our systems and who have planned their retirement years accordingly. It is absolutely critical for the Congress to maintain the sense of stability, confidence, and security for our employees who have served their communities, states, and the nation so well.

Sincerely,

Laurie Fiori Hacking
Executive Director
Board of Trustees

Statement of Rodney Oakes, San Pedro, California

In 1951, at the age of 14, I worked five nights a week after school in the Aura Bowling Alley in New Hartford, New York. I did this because my family was poor. My father worked on construction, and when the weather was good, and work was available, he made a modest living. In the winter, construction employment was rare in the Snow Belt. My mother worked part time cleaning the homes of the wealthy. With my younger sister, the four of us lived in a trailer park. The income I earned went to the family pot and was used to support the whole family. I really

needed the job, even though setting pins was very difficult for a 14 year old! I also received my Social Security card. I was thrilled! The United States government had entered into an agreement with me, and I would receive a retirement income when I reached the age of 65.

I did manage to work and maintain decent grades in school. Eventually, the family moved to California where my father was able to earn a better income in construction. I worked part time through high school. My grades were good enough so that I could attend college. It took me five years as I had to work 20 plus hours a week at various jobs: dishwashing, waiter, construction, truck driver, musician, and any other job that would help me reach my goal of a BA degree.

By 1961 I was ready to begin my final career. I made a huge mistake. I decided to become a public school educator in the state of California. I continued with my education, earning a Masters degree and eventually a Doctor of Musical Arts Degree. I completed my career teaching at the community college level. I also worked all this time as a part time musician.

I lived to reach the age of 65 and I retired. I have a decent retirement income from the STRS. I also have enough Social Security credit to receive $450 a month and Parts A and B of Medicare. But, because I chose to teach in California, I only collect $150 a month of my allowance!

I feel as if the United States government has broken the agreement that it made with that 14 year old junior high pin setter! I will be able to survive without the additional $300 a month, but it seems as if I am being punished because I chose a career in the California public education system. It would be very easy to correct this injustice.

Statement of S. Parker, Nuiqsut, Alaska

When I recently learned that the social security I have been paying into for many years in the lower forty-eight states will not be available to me when I retire in Alaska I was outraged. I only started my teaching career in 1999, after having spent many years employed in other facets of the workforce. I had planned on having the money I had put into social security as part of retirement. I understand that the money I have deposited is not waiting for me to use, that it has been spent on those who have retired before me, but still I had been losing a good portion of my check every payday to that fund. Now, I am teaching in Alaska and being advised that I will have to work for thirty years before I can retire and have full medical coverage. I won't be allowed to teach that many years! I moved to Alaska because of many reasons that are near and dear to me, but I had no idea that I would be losing my social security benefits by doing so.

It is true that we do not go into the field of teaching to "make money." However, it would be nice if all hours we spent at jobs to get ourselves through school were recognized. Many of us worked two or three part time jobs to get through every semester of college. We didn't indebt ourselves with student loans or require financial aide. We made it by working to pay for the classes and the labs we took. Now it seems as though that was a waste of our time and resources. We are not going to reap the benefits of those dollars taken through FICA for all those years. We should have gone on welfare or accepted financial aide and spent the time studying or with our families instead of going to work.

I hope that you will consider the impact that social security benefits will bring to those above the age of 45, who have gone into teaching as a "new" career after leaving another behind. We can't retire in the state of Alaska and survive without our social security benefits waiting for us at the end of the trail.

Thank you for your time.

Statement of Bill Patterson, Roseville, California

Thank you for giving me this opportunity to write to you.

My name is Bill Patterson, and I am writing you today to let you know about my story concerning Social Security and my decisions to be a public school teacher.

I live in Roseville California. I'm 46 years old. I have a wife and four children, two daughters, one 13-years-old and another, 19. Our two boys are 22-years-old and 17.

I have paid into Social Security for 24 years. I am a teacher in California who loves my job. I have been teaching for ten years. I have been out of college for 22 years. For twelve years I worked in private business. I enjoyed my different jobs,

but felt there was more I could do to help others. So, I returned to school to become a teacher. I am glad I changed careers, but now I see a financial issue with my career change that I did not see ten years ago.

Being in California, I am a member of the State Teacher Retirement System (STRS), as are all public teachers. We have a good retirement system, that will help in years to come. I, like many other teachers, have a part time job to help make ends meet. Because I also have a part time job, I also pay into Social Security. As I have been planning for retirement, I was recently informed that when I do retire, because I get STRS, my Social Security Benefit will be much less than what I would have received had I not been a member of STRS.

Each of the ten years that I have been teaching, I have worked second and third part time jobs to help make ends meet. Each of these jobs pay into Social Security. I have earned well over the forty quarters needed to qualify for Social Security.

This is a non-political issue, it is an issue that needs to be fixed, to help teachers of today, as well as to help recruit more teachers from the private industry.

Thank you.

Statement of Norma Petta, Sacramento, California

I thank you for making our plight public.

I am referring to the laws which would mandate that teachers in certain states lose up to 60% of Social Security benefits because they would receive a state pension. I worked 20 years in a private high school during which time I paid into Social Security (in fact, I've been working since I was 16 years old and paying into Social Security) and have now been in a State Retirement System for only 11 years. I'm 54 years old. If I retire in 10 years, I'll get only 40% of my pay and my Social Security will be reduced. I will have to pay for health benefits at that time also. Is this how this nation should treat a teacher who will have taught for over 40 years and really dedicated his or her students? It's shameful!

Statement of Stephanie Pincson, San Francisco, California

When I became a teacher in San Francisco in 1973, after more than 20 years employment in other fields covered by Social Security, I never realized that I would lose most of the Social Security benefits I earned in those 20 years. Had I known, I might have thought twice about becoming a teacher.

When I reached the age of 65, I applied for my Social Security benefits and received $680 a month, not much, but then I worked only 20 years under Social Security. I continued to work until age 69 when I retired. I was told that, despite the fact that I was already getting benefits I had legally earned, those benefits would be cut to $340 due to the "offset." To cut the pittance I do receive is unconscionable.

I hope that finally something might be done to right this wrong that was never intended to affect those of us who had worked under Social Security before making a career change. I don't know any business where employees' benefits are similar cut if they had worked a previous job covered by Social Security.

Columbus, Ohio 43215
April 29, 2003

Rep. E. Clay Shaw, Jr.
Chairman of the Subcommittee on Social Security
2408 Rayburn House Office Building
Washington, D.C. 20515

Dear Rep. Shaw,

The Public Retirees of Ohio represented by the following Associations welcome the opportunity to submit a "Statement for the Record." The associations joining voices are Police and Fire Retirees of Ohio, School Employee Retirees of Ohio, Public Employee Retirees Incorporated and The Ohio Retired Teachers Association.

The GPO/WEP is viewed by the Ohio retirees as an unfair law. The test of time has rendered hostility among the residents of Ohio due to these unfair practices of reduction and in some cases elimination of rightfully earned social security.

The repeal of the GPO/WEP would enable retirees to receive their full social security and would reduce the impact of the rising costs of health care.

Petitions were signed in massive numbers in 2002 from across the state for the repeal of WEP/GPO. This issue continues to be a topic for the Committees in Washington. Now is the time to repeal these unfair practices.

Sincerely,

William I. Winegarner
Administrator
Public Employee
Retirees Incorporated

Gary L. Monto
President
Police and Fire
Retirees of Ohio

David Travis
Executive Director
Ohio Retired Teachers Association

Valerie Rodgers
Executive Director
School Employee
Retirees of Ohio

Statement of John Reddington, Bright, Indiana

Please help to REPEAL the GPO/WEP—Simply stated it has reduced my Social Security by 60%—to only $142. Per month. WHY ARE YOU PENALIZING ME?????

Statement of Laura J. Reed, Canfield, Ohio

I retired in 1999. In 2001, by mistake, Social Security began direct depositing $600 a month into my husband's account as my spousal benefit. They did not notify us of this action. When we caught the mistake S.S. had also deposited $2,000. And a few months later they deposited $1,200. I was told (8 times by phone) that I wasn't titled to receive spousal benefits. I told each Social Security contact that I was a retired teacher from Ohio and was not to receive the money. However, it took 4 letters, 8 calls and 4 personal visits to convince them that they were in error. I repaid $12,600. This is the money which I would receive if I had stayed at home or had worked in a low paying job. I was punished because I attended school (at my own expense). I retired with 28.8 years of experience, with a Masters Degree and 40 additional hours of credit. I worked two years at the Pine Bluff Arsenal, Arkansas under the Federal Government. I worked, or attended school from the age of 17. The Federal Government promised me from 1953 (when I married) until 1985 that I would receive the protection of Social Security. My husband worked 40 years to give me additional income on which to live. Should he pass away my household income will be reduced by $1,000 a month plus the services that he can provide (repairs around the house, etc.). With the additional income which Social Security should be paying me I could be assured of taking care of myself if something should happen to him and not become a burden to my government. Since we are both living and active at this time, the $600 due to me at this time would be spent and help the economy. Or I could save the money. It could mean that my grandchildren would have a college education (without help from the government). The government is "penny wise and pound foolish" on this issue. Please support the complete repeal of the Offset and Windfall Provisions. I feel these laws are unlawful because the "contract" between the government and Federal/State employees was broken without giving people the chance to do anything about it. You are elected to represent the people of the United States—hard working Americans—how can you not vote to repeal these two unfair laws? I have submitted 2,200 signatures on my petition and I have over 200 more to send in—just from my surrounding area.

Statement of Zwi Resnick, Fresno, California

I would like to begin by noting my appreciation for the opportunity to describe to you the consequences of the Social Security offset on those of us who have chosen to make mid-life career changes.

My first professional career was as an Exploration Geophysicist in the Oil and Gas Industry. In 1986 I became an instant consultant. That's a nice way of saying that I, along with 400,000 others in the Oil and Gas business, was laid off. I had made a sufficient number of contacts over the previous twelve years that I started getting consulting work almost immediately. Despite that I had this urge to start looking at other work that I could do.

In the Fall of 1986 I started to teach part time. My degrees are in Mathematics. In Denver, where I lived at the time, Metropolitan State College and the University of Colorado-Denver use many adjunct faculty in Mathematics. So I started to teach one or two courses a semester in addition to my oil and gas exploration consulting work. As I continued with this dual occupation I found that teaching became increasingly attractive to me as a profession. Rather than continue with my consulting work I decided to pursue a career as a teacher. Therefore, in late 1989 I began actively looking for a full time teaching position. It soon became apparent to me that the only way a career change was possible would be by restricting my search to systems that offered decent salary and benefits structures. I found that in the California Community College system. In August 1990 I joined the Mathematics faculty at Fresno City College. I was aware that any pension I would earn would be based on a limited length of service since I was starting my new profession at the age of 42. However, I also knew that I had been paying Social Security taxes since 1964 and would have my earned benefit to augment my STRS pension.

I was, of course, quite mistaken. The most recent statement I received from the Social Security Administration indicates that I have earned a benefit that could be as much as $1,337. I am advised in this statement that this benefit has been computed assuming no further Social Security taxable earnings. Because of the existing law I will be deprived of most of this. I will lose the benefit I am being told I have already earned!

As the President of my union—the State Center Federation of Teachers, AFT local #1533—my colleagues frequently ask me questions about earned STRS benefits. I answer these questions knowing full well that I will not retire with anything approaching the level of benefit that my colleagues have earned. By the time I retire my total professional career as an Exploration Geophysicist and as a Mathematics professor will easily match the length of service of any of my colleagues. However, because of the Social Security offset I will not receive the full benefit I believe I have earned.

Since I first began teaching part time in 1986, and full time in 1990, I have felt that my Mathematics students have benefited from the experience in the private sector that I bring to the classroom. I like to think that people with backgrounds like mine should be encouraged to enter teaching. I do benefit from the priceless luxury of knowing that my work is inherently valuable. However, why should I be financially penalized for having found my true vocation later in life?

Retired, County, and Municipal Employees Association of Massachusetts
Boston, Massachusetts 02108
May 15, 2003

Congressman E. Clay Shaw
Chairman, Subcommittee on Social Security
United States House of Representatives
Rayburn House Office Building, Room B–316
Washington, D.C. 20515

Dear Chairman Shaw:

Our Association appreciates this opportunity to offer our comments on Social Security's Government Pension Offset (GPO) and Windfall Elimination Provision (WEP), as well as mandatory Social Security coverage. We thank you for including our statement in the May 1, 2003 hearing record of the Subcommittee on Social Security.

For the past 35 years, our Association has been the leading advocate for public retirees and their survivors in Massachusetts. Currently, our membership totals over 53,000, of which approximately 5,000 reside in.

While our primary focus has been, and remains, at the state and local levels, we have also involved ourselves in federal issues, particularly those related to Social Security and Medicare. Foremost are the GPO, WEP and mandatory Social Security coverage.

Among our members are widows, who, in addition to being homemakers, worked at relatively modest public sector jobs that supplemented their family income and enabled them to earn, by today's standards, a relatively small public pension. These members, and their husbands, believed that if they became widows they would hopefully have an adequate retirement income because they would also receive their husband's full Social Security benefits.

Unfortunately, when their husbands died, they discovered, to their shock and dismay, that because of their small pensions, they were not eligible for their deceased husband's full Social Security. Instead, they were told by the Social Security Administration (SSA) that because of the GPO, they would receive far less than they anticipated.

Our membership also includes those who worked two jobs—one in the public sector and another with a private employer—in order to support their families. Naturally they expected that their hard work in the private sector entitled them to the same Social Security benefits as their co-workers.

However, these expectations for many of these members failed to be realized when they received their first Social Security check. That's because the WEP reduced their Social Security benefits by as much as sixty percent.

Over the past years, the number of members contacting the Association over the GPO/WEP's devastating effect on their lives has steadily increased. They rose to such a level that our Association committed itself to resolving their problem.

Attached to our letter is a copy of an article that we published in our March 2003 edition of the *Voice of the Retired Public Employee*. It tells how some of our members in Florida have been devastated by the GPO and/or WEP. Similar personal stories can be found on our website (http://www.massretirees.com).

These members are representative of the many who have described to us their plight. Their calls for help have become, tragically, all too commonplace.

It is because of this that we call upon the Subcommittee to report out a bill for action by the House. We believe that such legislation should repeal both the GPO and WEP.

We also believe that any bill should not include mandating that newly hired public employees in Massachusetts, and other non-Social Security states, be covered under Social Security. Analyses have shown that the short term infusion of Social Security taxes from new hires will have a relatively insignificant effect upon the system's future solvency. Moreover, the revenues, generated by these taxes, will be offset in the long term when those employees receive their Social Security benefits.

More important is the overwhelming tax increase upon the Commonwealth and its political subdivisions. State agencies have placed the cost at nearly $3.9 billion over the first 10 years under mandatory Social Security. As a result, state and local officials would have to increase taxes, cut essential services in areas, such as education or public safety, or both. Simply put, the end does not justify the means in this particular case.

In the 1950s, state and local governments were given the option to join in the Social Security system. While many states and localities did enroll in the system, Massachusetts and its political subdivisions chose to maintain their own comprehensive retirement system, specifically developed for their own retirees and employees, because it provides superior benefits for those who chose a career in public service at lesser pay.

If one considers how mandatory Social Security will disrupt the well-established system and cause new long-term fiscal problems at the state and local levels, then only one conclusion can be reached. Social Security should not be mandated for newly hired public employees in and similarly situated states.

In conclusion, we again appreciate this opportunity to voice our opinion on the GPO, WEP and mandatory Social Security and urge the Subcommittee to act promptly on needed legislation repealing both the GPO and WEP. There is no question that it will bring a deserved measure of dignity to the lives of those currently being severely hurt by these laws.

Thank you.

Sincerely yours,

Ralph White
President

Association Enlists Florida Members In Fight Against GPO And WEP Relief Bills Introduced In Congress

When it comes to relief from Social Security's Government Pension Offset (GPO) and Windfall Elimination Provision (WEP), the Association will do whatever it can to push this much needed legislation through the Congress. Last year, we enlisted the help of our Maine and Vermont members, and now we've turned to our Florida membership.

Earlier this year, several hundred members, living in the Ft. Lauderdale/Pompano Beach area, met with Association officials. Ft. Lauderdale is also represented by Congressman Clay Shaw, Jr. who has served as chairman of the Social Security Subcommittee—a critical committee to any earlier success toward relief.

One of the hot topics at the Florida meeting was the GPO and WEP. "To be successful, we need to enlist the grassroots support of our members living outside the Commonwealth," according to Legislative Chairman Bill Hill. "This meeting was an excellent opportunity to do just that, and it appears to have been successful."

It provided our members, who are hurt by the GPO and WEP, with a forum to express their dissatisfaction with these laws and demand change. "It's not right that after I paid into Social Security all those years, I should be treated (by the WEP) as if I'm trying to get something for nothing," claims Gloria Bernier who worked at Framingham's Cushing Memorial Hospital and now lives in Pompano Beach.

"Gloria is right on point," added friend and former coworker Joan Anderson, now of Boyington, who is hurt by both laws as a widow. "I wish the politicians, who pushed through these laws so many years ago, could see the harm they're causing today."

"When I worked at the retirement board, I saw firsthand how retirees were hurt and here I'm witnessing it again," according to Florence of West Palm Beach, who was the former executive director of the Fall River Retirement Board and receives nothing because of the GPO. "They can't wait any longer; the President and Congress must help now."

These comments are representative of the many heard by Association officials at the meeting. Members not only had a chance to voice their criticism but also join together and take action.

"Since moving here (Florida), I've been frustrated because I can't have the direct impact that I had when I lived and voted in Mass," says Harold Greene of Pompano Beach. "Now I can do my part for my fellow members, who are being hurt by Social Security, and contact my congressman, Clay Shaw, to correct the problem."

"We'll be writing to him also," vowed both Bernier and Anderson. "It's time for us to act."

Continue Work With Coalition

"Our work with our members is part of the Association's activities in conjunction with CARE (Coalition to Assure Retirement Equity)," reports Hill. "By way of explanation for our newer members, our Association has belonged, for several years, to CARE which is dedicated to eliminating the GPO and WEP.

"Several national unions and organizations have coordinated their efforts to abolish the GPO and WEP through the coalition. NARFE (National Association of Retired Federal Employees) spearheads CARE."

It's important to note that even though the Congress has the same two-year session as the Mass. Legislature, the Congress takes somewhat longer to file bills for the current (108th) session. For example, while the Association's 2003–2004 legislative was filed last December in the State House, congressmen and senators began to introduce bills in the U.S. Capitol after they convened in January.

In February (after we went to press), CARE met at NARFE's headquarters to map out strategy for this year. Legislative Liaison Shawn Duhamel has been representing the Association at these important coalition meetings.

Just before the CARE meeting, the lead sponsors for the GPO relief legislation, which the coalition has supported over the years, filed their bills again for the 108th Session. Representative William Jefferson (D–LA) and Senator Barbara Milkulsky (D–MD) have reintroduced legislation that will exempt $2,000 of a public retiree's monthly pension and Social Security benefits from the GPO.

Members should note that the sponsors have upped the monthly amount—from $1,200 in last year's bill to $2,000 in the current version. "While the bills still do not eliminate the GPO, the number of affected public retirees, who could benefit, has been obviously expanded by raising the dollar amount," says Hill. "Legislation, repealing both the WEP and GPO, will also be before this Congress as it has in prior sessions."

Senator Dianne Feinstein (D–CA) and Representative Howard (Buck) McKeon (D–CA) have reintroduced their bills to eliminate both the GPO and WEP. A summary of the major relief legislation in the Congress, including bill numbers, will be included in the May Voice.

On the home front, Senator John Kerry and Representative Barney Frank are filing, once again, bills in the 108th Congress that will offer WEP relief to those members with moderate retirement income (i.e., pension and social security benefits totaling less than $3,000 monthly or $36,000 annually). While the Kerry and Frank bills do not repeal the WEP entirely, they represent a major step in the relief effort. Both had introduced WEP relief legislation in the previous (107th) session, with Frank's bill sponsored by well over a majority of that Congress.

Statement of Daniel Rice, Pewee Valley, Kentucky

I am a 60 yr old retired special education schoolteacher and must continue to pay into Social Security but am penalized by being able to draw only 30% of what I deserve. Please do the right thing and rectify this unfairness. I am a former member of Jefferson Co Teachers Assn (KY), Kentucky Education Association, and the National Education Association.

Statement of Sharon Richard, Sour Lake, Texas

Thank you for giving me this opportunity to write to you.

I am a fifth-year Texas schoolteacher. I teach American history, including the American Revolution, the Constitution, and the Bill of Rights, to eighth grade students at Henderson Middle School in Hardin-Jefferson Independent School District. I absolutely love what I teach. As I strive to share with my students the ideas of the Founding Fathers and the many reasons why they fought, deliberated, perspired, and worked on the noble experiment known fondly as the United States of America, I constantly urge my students to undertake a life-long participation in their government. I do my best to instill the belief that the founders' idea of popular sovereignty is still true in this democratic republic, and they must always think of themselves as part of "We the People."

Before my teaching career began, however, for over twenty-five years my husband Randy and I owned and operated Sour Lake Drug, Inc., a small independent community pharmacy.

Both my husband and I have paid significantly into social security over the course of our lifetimes. He began paying into social security at the age of sixteen. I first paid into social security at the age of twenty-one. Also, since we owned our business, we MATCHED the social security paid in by our employees and ourselves. Therefore, we consider that for more than twenty-five years, we paid DOUBLE amounts into social security.

Three years into my teaching career, I found out about the Government Pension Offset and the Windfall Elimination Provision. Of course, at first I could not believe that my government would really take away EARNED social security at retirement. But in the course of the last two years, I have learned that, indeed, my government really will do that.

Yes, my government, the government "of the people, by the people, and for the people," really will literally deny our hard earned and previously paid benefits because of two obscure and misunderstood laws called the Government Pension Offset and Windfall Elimination Provision.

I have learned that when I retire through the Texas Teacher Retirement System, and draw a pension, I will likely lose ALL of my spousal benefits because of the Government Pension Offset. My husband simply cannot comprehend that he has spent thirty years as a diligent independent community pharmacist, often serving the public around the clock, and that his wife of over thirty years will be denied benefits based on the social security he has paid in!

Further, because of the Windfall Elimination Provision, I will also be denied much of my OWN paid-in social security, because I ONLY have 24 "substantial" years of social security. I will not receive the amount of money per month that is quoted on my quarterly social security earnings statement. Meanwhile, of course, I have no choice but to pay into the TRS. I will lose hundreds of dollars each month when I retire, dollars that will make a significant difference in our retirement years. These are my *earned* benefits that I will be denied! And I also paid matching

amounts through my business! Unconscionable. Unjust. Unfair. Unbelievable. Incomprehensible.

My salary as a fifth-year Texas social studies teacher is slightly more than $28,000 per year. I am in my mid-fifties, and plan to teach only a few more years. With a meager salary like this, my pension will hardly be a "windfall." And although many people consider pharmacy to be lucrative, on the contrary, small-town independent pharmacies have taken severe financial hits with the advent of insurance-driven HMOs, PPOs, drug formularies, and the like. Accordingly, our business retirement plan was minimal. Because of these factors, we have since sold our little independent pharmacy. Therefore, we had certainly counted on our fully earned social security benefits, along with my small teacher pension, to help with our retirement.

As badly as the WEP and GPO are affecting public servants at present, the future of education is also being severely undermined by these laws. We need quality individuals to enter education, and we need them now. As a measure to recruit these quality individuals, plans such as Troops to Teachers and Careers to Classroom have tried to lure past military and professionals into the classrooms of America. However, as prospective teachers are made aware of these unjust social security laws, they are foregoing the idea of going into the classrooms of Texas and the other 14 impacted states, and rightly so. How wrong it is, for example, to recruit retired military, praise them for excellence in the classroom, and then deny them the social security benefits they earned while serving their country! These laws are such an injustice to hard-working public servants. And to be told that we are "double dipping" is unjustified and quite untrue.

We know the reasons these laws were implemented, to prevent the "double dipping." But the effect is negligible on those who get large pensions. Those who are hurt are the lowest paid public servants in America. To allow the Government Pension Offset and Windfall Elimination Provision to continue to force custodians and cafeteria workers, bus drivers and school nurses into virtual poverty is simply immoral. It is beyond unjust to allow these dedicated and conscientious, but lowest paid personnel on Texas campuses to be treated in such a manner by their government. To let these laws stand, to postpone the elimination of these unfair laws through yet another Congress, is a travesty. Two decades of this injustice is long enough.

The General Accounting Office may not have taken into consideration that the cost of repeal of these laws must be measured by more than dollars and cents. The cost must also be measured by the life of each American public servant and the respect each deserves for a lifetime of commitment.

"America's heroes," the firemen and policemen, along with the millions of others who are affected by these unbelievably unjust laws are also having a hard time understanding why this issue appears to be so partisan. This is not a Republican vs. Democrat issue; this is a simple issue of fairness to multitudes of public servants in this great country.

As one of those public servants, I respectfully request immediate elimination of the Government Pension Offset and Windfall Elimination Provision.

Statement of Thomas W. Root, Moline, Illinois

I support H.R. 349. Please restore fairness which is the intent of this bill.

Marion, Illinois 62959
April 28, 2003

The Honorable E. Clay Shaw, Jr.
2408 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Shaw:

I am writing to you as the Chairman of the Subcommittee which will be holding hearings on the Social Security act to repeal the Government pension offset and windfall provisions.

I, and many others, would appreciate so much if we could draw our full Social Security along with a small retirement from Southern Illinois University in Carbondale, Illinois. When you work and pay into Social Security, but you lose your

job for reasons beyond your control (my employer passed away) and then I was so fortunate to get a job at the university but I had no idea what would happen at retirement.

Since I only have a few years under Social Security and a few years at the university, I would not draw a lot from either one but with the 2/3's offset I will get very little to live on. I am 65 now but cannot retire because if I work I can get my full Social Security and when I retire they take most of it. We are talking about the difference of about $800 verses about $1,300. Lower income employees really need your help! Please help make our retirement years easier.

Thanking you in advance.

Sincerely,

Paula Rothschild

Statement of Mary A. Gazda Ryan, Charlestown, Rhode Island

Thank you for giving me this opportunity to write to you. My job as a school teacher makes my presence at the hearings impossible.

My name is Mary Gazda Ryan. I am a 48 year old public school teacher.

I believe in the American Dream and consider myself to be a fortunate person. I am a third generation American, first generation of college graduates. I started working the day I turned sixteen to save for my college education.

My entire life I had been told, I would go to college. Thankfully, I took it to heart. I studied hard in order to receive the best grades and it was exciting to reach an age where I could actively contribute to my college fund. I remember my first day of waitressing with great pride. When my father died during my senior year of high school, my commitment to my dream grew in importance. I would hear him in the back of my mind saying, as he often did, "You're not getting married until you graduate from college." Not that there were any prospects of marriage, but a father's love believed me to be irresistible as a father's love drove me to improve my lot in life.

I was accepted into my state university, the University of Rhode Island. I did not receive any scholarships, and my mother did not believe in loans. Consequently, I worked all my years of college while carrying a full load of courses. I took as many as I was allowed, seven, because I knew the value of my education having earned every dollar for it. I had to take a semester off during my junior year to work full time in order to continue my education. With all of my extra credits, I am proud to say I earned my degree the summer of my expected graduation in May.

Teaching was not an easy field to get into at the time. I continued to work in food service and took extra courses. I purposely took my first teaching job in a poor section of a city, not because I would help pay off my loans, remember I did not have any, but rather to give back and help other children understand the dream. The pay was not enough to live on, so I continued to work part time. Throughout my work history, including my first two teaching jobs, Social Security was taken out of my paycheck. For the last thirteen years I have worked in a school system that does not participate in Social Security.

I am disheartened to believe my country would penalize me for this omission in which I had no part. Paying into Social Security was not an option. Proudly following in the footsteps of my parents, a mill worker and a construction worker, I continue to work hard looking forward to the day when I can retire with the expectation of living "comfortably."

It is beyond my comprehension that my government would penalize me for putting money into a retirement fund. My mother would not survive, if not for the extra monies my brother, sister and I prove monthly. I began saving so that I would not find myself in a similar position one day with no children to provide additional support. I am sure there are many more people like myself. I feel sympathy for retirees who are presently being penalized.

I believe in the American Dream. I ask you today to help me see it in action. Right this wrong. Thank you.

Statement of the Honorable Max Sandlin, a Representative in Congress from the State of Texas

Thank you Mr. Chairman and Ranking Member Matsui, for the opportunity to testify today on the impact of the Government Pension Offset and Windfall Elimi-

nation Provision on the Social Security benefits of retired government employees. I am pleased that the committee has called a hearing on how these two provisions affect nearly six million federal, state and local government employees.

As a member of the House Ways and Means Committee, I am proud to help lead the fight for our public employees. As my colleagues know, I have introduced legislation in the past to eliminate the Windfall Elimination Provision. Today, I come to re-iterate my support for two bills I am proud to co-sponsor, H.R. 594, the Social Security Fairness Act, introduced by Mr. McKeon, and H.R. 887, introduced by Mr. Jefferson. I am hopeful that our public debate today on the importance of restoring equity to the Social Security benefits of our retired government employees will result in these bills being brought to the floor of the House for a vote.

Mr. Chairman, when I am not voting in Congress, I travel through my district visiting with my constituents. Last week, during Spring District work period, I hosted a series of town hall meetings in Texarkana, Mt. Pleasant and Marshall, Texas on Social Security and Medicare. As I have heard for years from every corner of the 19 counties in the First Congressional District of Texas, many of my constituents, who are former local, state and federal government employees, asked me why their Social Security benefits continue to be penalized by the GPO and WEP provisions.

One of these constituents happens to be my mother, Margie Sandlin, whose suggestions and advice I have learned over many years not to ignore. My mother was proud to spend nearly 30 years serving society as a public school teacher, a job which simultaneously challenged and fulfilled her. However, she never expected that her reward for these years of service would be a significant reduction in her Social Security benefits due to the Government Pension Offset. She never expected that our government would penalize someone who dedicated her life to public service. My mother rightly feels like the federal government has turned its back on her when she needs its help the most—during her retirement years.

The work our teachers, firemen, policemen, and other government employees do strengthens the foundation of our nation every single day. More often than not, these people accept lower pay checks in order to serve their communities. I don't think anyone in this room believes we should now penalize these teachers, firemen, and policemen again with Social Security benefits that fail to meet their expectations and fail to provide them with a basic standard of living.

Some claim the GPO and WEP provisions are not particularly onerous to many of the affected retirees because the provision generally affects only those who are well off and have a generous government pension. I assure the members of this committee that my mother knows from personal experience how false this assumption is. She spent much of her life in public service and planned her retirement carefully. To have had her Social Security benefits arbitrarily and unexpectedly reduced was more than just an insult—it was also a lowering of her standard of living in her retirement years.

We need to put the federal government back in the business of providing our retired government employees with the retirement security they deserve. I recognize that full repeal of the Windfall Elimination Provision and Government Pension Offset would be expensive, and we need to debate a reasonable way to pay for this legislation. Mr. Chairman, as Congress moves forward with reform of the Social Security system, I urge you and the members of this committee to remember our retired federal, state, and local government employees. They deserve much better from us. They have earned that much.

Thank you Mr. Chairman, Ranking Member Matsui, and members of this subcommittee.

Statement of Karen Sanford, Bartlesville, Oklahoma

I was reinstated into the Postal Service in 1995, as a Civil Service Offset. I have been contributing to both Civil Service and Social Security since that time.

When I retire, and start getting Social Security, my Civil Service Retirement will be reduced by the same amount that I receive from Social Security. I will not be getting any more money. It will just be coming from a different place. How can you call this a windfall? I feel as though I have been robbed of the $20,000 that I have in Social Security. This is a lot of money to me, which I need, being a widow.

If you paid for both Social Security and Civil Service Retirement, you should get them both without penalizing the Civil Service Retirement. If you did not pay for both then you should not get both.

Statement of Barton Schiermeyer, Orion, Illinois

I support H.R. 349. Please restore fairness which is the intent of this bill.

Statement of Thomas R. Anderson, School Employees Retirement System of Ohio, Columbus, Ohio

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to present comments for the record on the harmful effects of the Social Security Government Pension Offset (GPO).

My testimony reflects the opinion of the School Employees Retirement System of Ohio (SERS), which is the statewide public pension plan for Ohio's non-teaching public school employees. SERS serves 120,000 currently contributing members, and 60,000 retirees and beneficiaries. Members include school bus drivers, cafeteria workers, custodians, teacher's aides, secretaries, administrative support staff, business managers, treasurers, and school board members. All members are exempt from Social Security.

Demographically, 73% of SERS' members are women. They enter the workforce later in life, commonly to support their families, and often after the loss of the family breadwinner. As a result of their shorter public careers and lower wages paid due to the nature of the work, the average SERS retiree receives a monthly pension of $639. As you can imagine, the impact of the GPO on individuals who earn such a modest pension can be devastating. The following examples demonstrate the negative impact of the GPO upon actual SERS retirees:

Retiree #1

A disabled widow retired on SERS disability retirement in 1986. She receives $403.41 in monthly disability benefits. She was originally entitled to $216.30 per month in Social Security as a disabled widow. Due to the GPO, she receives no Social Security, as two-thirds of her SERS pension is larger than the widow's benefit. Her total pension income remains $403.41 per month from SERS.

Retiree #2

A widow who retired from SERS as a school cleaner in 1989 with 15 years of service and a final average salary of $6,983 receives a $214.91 monthly pension from SERS. Her Social Security widow's pension was $361 a month, which would have provided a combined income of nearly $576. However, due to the GPO, her Social Security was reduced by $143, which means her total income is just $432 per month.

Retiree #3

A school employee retired in 1989 with nearly 15 years of service and a final average salary of $6,389. She receives a gross SERS pension of $241.88, and due to the offset, only $87 from her husband's Social Security. Her combined monthly income is just $328.88. The retiree writes, "I don't know what they think people live on."

Retiree #4

A school secretary retired in 1996 with 15 years of service and a final average salary of $27,600. Because she draws $734.39 a month from SERS, two-thirds of her pension completely offsets her spousal Social Security benefit. "I think this law is terrible," she writes. "I have a hard time living on $700 a month. Try it. It's hard."

For the first three retirees, an unreduced Social Security spousal benefit would have provided each with a combined monthly income of less than $700, an amount that is still below the federal poverty guidelines for an individual.

The examples clearly illustrate that the GPO results in an inequitable distribution of Social Security benefits and is inconsistent with the overall provisions and intent of the Social Security Act. The GPO most harshly impacts those lower-income women whose combined public pensions and unreduced Social Security benefits would still fall below the federal poverty guidelines.

Application of the GPO pushes these retirees more deeply into poverty, and ironically renders them eligible for federal- and state-sponsored assistance programs, merely shifting the liability from Social Security to other taxpayer-financed budgets.

On behalf of SERS' 180,000 members and retirees, and the hundreds of thousands of other public pension plan members and retirees nationally, I urge the members of this Subcommittee to recommend that the GPO be repealed or modified as soon as possible.

Thank you for the opportunity to be a voice for so many hard-working public school employees in Ohio who have lost, or will lose, critical purchasing power in retirement through application of the GPO. I would be pleased to provide any further information or testimony as members consider reform in this area.

Statement of Joyce Schwab, Cincinnati, Ohio

I worked to hard for my SS. I have for 28 years paid into it, and I only have been working for the state for 15 years. I need both to live on when I retire which, if I get both, will still only be about 1,500.00 a month before taxes. Excuse me, where is the windfall?

Statement of Suzanne Shaw, Penobscot, Maine

Thank you for giving me this opportunity to write to you.

My name is Sue Shaw and I am writing to you today as a retired teacher. A retired teacher who, in 4 years when I reach the age to receive the Social Security (SS) benefit that the government has collected the taxes for and has to promised me, will see that benefit either severely reduced or totally eliminated. Because I have not only worked under SS for the required 40 quarters but also have a spouse who contributed to SS for almost 50 years, I will be subject to both the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). I fully realize that everyone is limited to one SS benefit—instead a complete benefit however, since I chose to be a teacher for 37 years in Maine, I will be eligible to receive not a penny of my husband's earned benefit (GPO) and only 40% of my own (WEP).

One of the arguments I hear is that SS is slanted toward the low wage earners. As I say in the following paragraphs, that is what I thought I was! That is why I was working two jobs and during vacations from school! When you are young and poor, that is what you do—you work extra jobs! When you are old and the benefits that you supposedly earned when you were doing that extra work are denied to you—what do you do then?

Just like Everyone Else . . .

I am so tired of people acting as though we who are fighting the Social Security Offset of the Windfall Elimination Provision are trying to steal something. I am tired of hearing people tell me that Social Security (SS) needs to be preserved for current recipients and for those who will be retiring in the future, as though we are some type of an unfunded liability. As though we are asking for something that has not been paid for.

I am tired of people who do not understand anything except that they are afraid someone is trying to steal SS retirement money. I am tired of being told that the government cannot afford to pay us 100% of our earned SS benefits.

And hundreds of thousands of workers are tired of being forced to pay into a system from which they will not be able to realize fair benefits.

People who are penalized by the Windfall Elimination Provision (WEP) have paid into the SS system exactly the same as everyone else. Exactly the same formula was used for withholding SS tax from our private sector work. For every penny we earned, we paid a portion of that penny into SS, just like everyone else.

Social Security says that in order for an individual to receive a benefit, they must first earn "40 quarters" which means a minimum of 10 years working time. Just like everyone else, those of us who are trapped by the WEP have earned those forty quarters—and in many cases well over that number. We are NOT asking for benefits for non-covered work—we simply want the same SS benefits for the same quarters and contributions as everyone else!

The government tells us that SS is meant to be a safety net for those at the low end of the income scale. Those of us who worked full time at one job and evenings and weekends at another thought we fit that description!

We were low paid—so we worked an extra job. We climbed the ladder of advancement and crossed private/public sector lines. We relocated to follow family or opportunity. We opened a small business on the side. We worked . . . and now we will

have to continue to work, because the retirement benefits we were promised for the payments we made will not be forthcoming due to the WEP.

Just like everyone else, we paid 100% of the required tax into SS. But—UNLIKE everyone else, we will NOT receive a 100% benefit! Because we receive a "public pension" for part of our work history, our benefit for work under SS is offset. UNLIKE everyone else, our earned SS benefit could be well less than half of what was promised by the government.

Unlike those with a 401K, our public pension will cause our SS benefit to be slashed. Unlike a private sector pension from an employer, our public pension will cause our SS benefit to be reduced by thousands of dollars.

Public pensions and SS are different systems—different forms of government (state/federal) oversee them, different taxes and contributions support them, and they have different vesting and benefits schedules. To receive both SS and a public pension is NOT double dipping—it is receiving different benefits for different paid taxes for different work under different employers. It is paying in twice—and working twice. Benefits should be paid twice—once from each employer—both at the 100% level!

All we are asking for is the SS benefit we earned. The SS benefit promised when we paid SS taxes on every penny earned for year after year after year . . . ***just like everyone else***.

The Widows of America . . .

Imagine this—you are a recently retired state health care professional. While your children were young, you worked part time occasionally, but spent a lot of time at home, raising your family. When they were through with school, you took your turn at college, and at mid-life began the career you had always dreamed of. You worked for 20 more years, and now, you and your husband are looking toward a well-deserved retirement. A relatively common, uncomplicated scenario.

But then, as happens all too often, tragedy strikes and your beloved husband unexpectedly dies. Your world collapses, and things turn upside down as you bury your life-partner. As time passes, there is business that needs to be seen to, and you begin to deal with the paper work that death creates. You go down to the Social Security offices, and a bleak picture becomes even more so, and the future becomes not only lonely, but also frightening, because you find that there will not be enough money to live on. Social Security says you can not have any of your deceased husband's benefit. You will be living on only your public pension from your relatively short career.

Melodramatic? Overdone? No—commonplace. Every day, all across the country, widows (and, of course, widowers) find that, when they go to SS after the death of their spouses, there will be either severely reduced survivor benefits, or none at all. These surviving spouses find that they are denied the benefits earned for them by the work record of the deceased simply because they (the survivors) have a public pension.

This law that devastates the income of so many of America's elderly widows is the Government Pension Offset (GPO). Passed in the early 80's, it was designed to keep those with high incomes from doing what was perceived as "double dipping" or getting two top-level government retirement benefits. As conceived, the law had good points. In practice, however, it is extremely flawed. What the GPO does is give a secure retirement the kiss of death for low and middle income public employees who, along with their spouses, have worked, paid their bills, and paid their taxes for many long years. What the GPO does, in fact, is put the income of many of these retirees at the poverty level upon the death of a spouse. What the GPO does is see to it that all too often, when the spouse dies, the benefit dies also.

These retired public employees—postal workers, clerical staff in the state offices, police, firefighters, Department of Transportation workers, secretaries, teachers, guidance counselors, bus drivers, game wardens, public utility workers, federal employees, custodians, state health workers, prison employees, air traffic controllers, and many more, have retirement income stolen by the GPO. The loss of this income, which had been earned for them by their spouses, makes many of these dedicated individuals eligible for public assistance programs. They become eligible for heating assistance, housing assistance, food stamps, and health care. Programs that, in fact, end up costing the government more money than it would to simply give the workers their earned benefits in the first place.

These people do not WANT assistance—they want the money from the benefits that SS promised when SS taxes were taken from paychecks. As one worker put it . . . "It's all tax money . . . it's just how you get it! It would be cheaper for the government to keep me off of the 'dole' if it can!" These widows can find themselves living on less than $25 a day—many times much less, simply because they had the

misfortune to choose to work in the public sector. As Marti Flint said in the January 8th 2003 CBS Evening News "Eye on America" segment on SS—"the only thing I did wrong was to go to work in a school!"

The encouraging of workers to embrace "2nd careers" . . .

President Bush encourages the military to turn to a 2nd career in the classroom in his "Troops to Teachers" program. One has to wonder if the military personnel who walk into classrooms after 20 years in uniform realize that they could possibly, with the opening of that classroom door be closing another! They could easily be closing a door on a large portion of their SS benefits. Military pensions and SS paid while in the military are exempt from the Windfall Elimination Provision (WEP). But the WEP says a public pension from non-SS-covered work cancels out that exemption when a state pension from non-covered work is thrown into the formula!

People from the private sector are urged to step to the front of the classroom and "make a difference" as a public servant. Public workers begin small businesses on the side, or in the case of teachers or other school personnel, work summers and vacations to help make ends meet. Whatever the scenario, when an individual's work history straddles the public sector/private sector line, it is like having one foot on the boat and one foot on the dock. If their public sector work is in non-SS-covered employment, these individuals are going to take a soaking!

Unlike the person with one foot on the dock and one on the boat, however, the vast majority of those affected by the WEP do not even suspect that disaster is imminent! They *think* they have planned ahead! They had paid in good faith into one system for retirement, and then into another! They had paid the taxes and expected the benefits. They expected promises made by the government to be kept! What a nasty shock to discover, often not until the very edge of retirement, that 100% of that *promised benefit* will not be forthcoming.

It has been said that elimination of the Offsets would cost too much and would cause depletion of the SS account that much sooner. Whose money is being held so tightly in the governmental fist? If a state worker knows that they are only going to receive 40% of their SS from other jobs, will the government let them only pay in 40% of the tax rate? Because the government is going to be operating at a deficit, do congressional workers refuse their paychecks? Probably not.

So—here is the public worker, retired and needing more income because the WEP has significantly reduced planned on retirement benefits. Being a cheerful, energetic soul, a post-retirement job is decided on as being the answer, and off to Wal-Mart our retiree goes. Unfortunately, that happy little retiree is now paying even more money into the Social Security system. Money that is, of course, at some point in the future going to be denied as a benefit. Our retiree is caught between a rock and a hard place by the WEP.

Most retirement plans tout the Social Security Administration's "three-legged stool of retirement"—pension, SS and savings. The public workers affected by the Offsets had earned their SS "quarters," had a public pension, and had saved. They had, in fact, planned for their future. Unfortunately for them, however, the WEP cut off one of the legs and the stool fell over!

Heroes need a hand . . .

These laws, The Government Pension Offset and the Windfall Elimination Provision, are undermining the financial quality of life for America's Heroes. The very people who dedicate their lives to serving the public from one side of the country to the other, the firefighters, the police, the teachers and the other public workers are finding that their reward for that life of service is a slap in the face from the federal government. Over 75% of the nation's emergency responders are affected by these laws, and almost half of the teachers.

They are finding that they cannot collect benefits earned for them on a spousal work record under SS (the GPO), and they are finding that benefits from work that they did with their own hands is denied them also (WEP).

These laws, the GPO and the WEP, have been like dirty little secrets that no one talked about in polite company. No one discovered them until the day they went down to SS to begin collecting a benefit . . . and what could be done then? No one explained to people changing careers that if they crossed the line between covered and non-covered SS work that they were putting their retirement income at risk. No one pointed out the fine print on the SS form that gives approximated retirement income, which warns . . . "income from non-covered work ***may*** affect benefits." No one today is telling the young people who are becoming the teachers of tomorrow that they need to consider these laws when deciding where to teach. The GPO and the WEP were virtually unknown just a few short years ago. But as with any secret, tell a few people, and soon everyone knows! We have been saying in loud

voices all across the country . . . ***"HEY—LISTEN UP—THESE LAWS APPLY TO YOU!"***

A new twist . . .

There is an argument in favor of elimination of these laws from the state budget point of view. State budgets are in big trouble. There is not enough money coming in, to simplify the matter. But—there is a simple solution that would increase the cash flow into some of these economically strapped states, and that would, as President Bush says, "stimulate the economy." This stimulation would, in turn, help the state budgets because people would be spending this money and then paying sales tax on what they buy. More business would mean a need for more employees, which means more jobs.

If a one-time tax break payment of several hundred dollars is supposed to help the economy, how much more help could be given by allowing these earned benefits to be paid month after month? If "stimulation of the economy" is the desired result, how much better it would be to eliminate the Social Security Offset laws than to simply give a one time tax reduction of a few hundred dollars!

I am a retired Physical Education teacher, and over the 37 years that I taught, one of the things that was crystal clear was "you do NOT change the rules in the middle of the game." Back in the early '80s, a well-meaning Congress changed the rules in the middle of our game. As a result, we are in a 7th inning slump. But we have high hopes for a comeback.

There is no 'right way to do the wrong thing' . . .

Now, with hope in our hearts, we ask that Congress realize the unfairness of these laws and the necessity of voting to eliminate them by passing H.R. 594 and S. 349. We ask that Congress not settle for less than "the Social Security Fairness Act of 2003." We ask that Congress do this because it is simply ***the right thing to do***.

Statement of Don Sillings, Huntington Beach, California

While I'm not retired, I do have a horror story about the Windfall provisions of social security. Currently, I teach part-time at two schools, the California State University, Long Beach—American Language Institute and at Santa Ana College—School of Continuing Education. I do not qualify for retirement benefits in either position. However, I am not paying into Social Security either. This is after working about 30 years in non-teaching positions in which I did contribute to social security. When I became aware of the situation (one year after I started these jobs), I visited the social security office for information. As it turns out, under current law, I will have about 10 years of zero contributions averaged into my earnings calculations (greatly reducing my monthly benefit). At the same time, I will not receive any retirement benefit from these two retirement systems (CAL STRS and CAL PERS). Instead, I will have what comes from a pretax payroll deduction that is being "invested" in my behalf (I have no control over the deduction or the investments).

I am terribly frightened for my future. Because I am working part-time (full-time positions being rare in my specialty), I receive a lower wage (about half as much) than a full-time employee does. Therefore, I am not able to invest privately toward my retirement.

Statement of June Burlingame Smith, San Pedro, California

I strongly support legislation to eliminate both the Government Pension Offset and Windfall Elimination Provisions of the Social Security Act.

My name is June Burlingame Smith, and I am a professor of English at Harbor College in Wilmington, California. I have been employed full time by the college since 1989, so I only have sixteen years credit towards my own state pension. In another month, I will be 68 years old. I would like to retire, but find myself in a financial bind because of both the GPO and WEP provisions of the social security changes several years ago, long after my husband and I both started paying into social security. Here is my dilemma.

I turned 65 on June 1, 2000, and because I am a widow whose husband was eligible for social security benefits, and because my benefits as a widow are greater than from my own social security contributions, I chose to receive my stipend as a widow. Currently, I receive a regular monthly social security check based on my husband's income. I am working full time; however, when I retire and start taking my own government pension, I will lose a substantial portion of the check I am now receiv-

ing under the WEP and the GPO. Switching to my own social security fund will not solve the problem because it is substantially smaller to begin with, and it, too, will be decimated under the GPO regulations. So, I am greatly harmed by these two social security provisions.

When the children were in junior and senior high schools, I returned to college and earned a second masters degree so that I could teach in the community college system. I worked as a teacher's assistant during graduate school and also worked full time for the California State University Chancellor's Office for one year. I had become a regularly employed "re-entry woman" and eventually was offered a full time position teaching in a community college.

I had worked in private industry as well as in a school district and had contributed systematically to social security before my children were born. While I was home raising the children, I did independent contract work with the Los Angeles Unified School District and CSU Dominguez Hills Conservatory and taught privately in our home. My contributions to social security during this time were vastly reduced, but I contributed whenever and whatever I was allowed.

By accepting the position with the Los Angeles Community Colleges, I automatically became a part of the State Teachers Retirement System which does not allow me to contribute to Social Security. I had no choice in these options. At the time of my employment, I was not aware of the GPO or WEP provisions of Social Security; they were not in effect at the time my husband and I planned our retirement strategy. But when my husband died very suddenly several years ago, I immediately became aware of both the GPO and WEP constrictions, and at this late stage in life, I could not do very much about choosing another pension strategy.

Today, as long as I don't take my own retirement under STRS, I can also collect my full social security. However, when I retire, the social security benefits now given to me as a widow will be reduced under the WEP and GPO. I will lose more than half of my current social security. The dollar amount will vary according to what the benefits and my pension are at the time, but the reduction is very substantial. The irony of all this is that for twenty-five years, my husband paid into social security, at times strapping us for badly needed income during the children's early years, so that we could count those benefits as a part of our overall retirement. We made that decision objectively, based on the rules of social security at the time. Now, however, that plan for an orderly retirement has been seriously eroded because the social security rules have changed. Such fickleness makes it extremely difficult for conscientious families to plan for a meaningful retirement. And because the state of California is a community property state, I have also contributed to social security through my husband's paycheck for twenty-five years.

The offset rules for STRS also punish those of us who choose to teach or work in the public sector after working in the private sector earlier in life but there is not such restriction on people receiving private pensions. If I had ordered my career so as to end up working in the private sector instead of the other way around, I wouldn't have this dilemma. At the very least, workers should be able to contribute, or continue to contribute, towards social security if they so wish. If a public agency proscribes that choice, then the individual should not be punished for having contributed in the past. And certainly, those of us who began their retirement plans many years ago under another set of rules, should not be punished for following those rules. Otherwise, people like me may opt not to join the public sector in midlife.

Thank you for considering my predicament. I know there are many thousands of other conscientious people who are also caught in this same conundrum. At some point, I figure when I'm 76 years old, I'll be able to retire without social security as an important factor. For the foreseeable future, however, I will continue to teach as long as my health and mind allow.

State University Annuitants Association
Chicago, Illinois 60607
May 12, 2003

Subcommittee on Social Security
Ways and Means Committee
1102 LHOB
Washington, DC 20515

Dear Representative Shaw,

I am writing to you in support of passage of H.R. 594 that amends the Social Security Act that repeal the Government Pension Offset and Windfall Elimination Provisions. This issue has been a priority for our members for four years now. We are

very pleased that 12 Illinois Congressmen currently support passage of this bill. We continue to work with the remaining Illinois Congressmen about sponsorship. We have bipartisan support for this issue.

We believe the offset and windfall penalties are a form of work discrimination. First of all, many of our members have public and private sector work experiences. They plan on receiving partial retirement benefits from both work sectors. These are folks that actually worked and paid social security taxes and made contributions to Social Security the public system they are members of. Second, many members work on a nine-month contract at an institution of higher education and thus have summers available for other employment. Many hold a summer job within the private sector. They too, pay social security taxes on wages earned. Third, many members have to hold a part-time job to make all of the ends meet. They also pay Social Security taxes on wages earned. In short, these members have been employed 30–40 years, contributed to retirement funds and then are penalized for hard work.

We believe this is unfair and discriminatory. These penalties are directed toward widows, lower income men and women that have worked hard to build the educational system in Illinois. SUAA represents more than 120,000 members of the State Universities Retirement System, a public retirement system for 12 state universities and 50 community colleges in Illinois.

Sincerely,

Robert A. Harper
President
University of Illinois at Chicago Chapter

Roslyn Hoffman
Associate Vice Chancellor, Retired
University of Illinois at Chicago Chapter

Statement of Denise Sullivan, West Frankfort, Illinois

Would you consider people like myself in the position of working for (just enough money to make ends meet for the family, not enough to have a savings acct, CD's or even any investments) because of simple living expenses many years paying in social security, then at age 49 or older get a state job for 11.20 per hour and a chance to get a small pension at retirement because we did not have the job at an earlier age with many years to work up to get a good pension, ours will be smaller that many social security checks. So, please tell us why can't we get our social security that we worked for like everyone else?

Thank you.

Statement of James Sutera, Chicago, Illinois

Thank you for giving me this opportunity to write to you.

My name is James Sutera and I have a situation to explain that I have a problem with. First, I would like you to know that my nationality is Italian and Croatian and I have learned from my grandparents that hard work is the only way to get ahead. When they came to this country with nothing, they didn't have the so-called politically correct system that is in place now. In other words, when they made any phone calls looking for any type of service, there was no punch 2 for Italian and punch 3 for Croatian. Like all immigrants that came back then, that built our country, they learned the language and became citizens because they where proud of their new life here and wanted to do everything the American way. During the depression, they had a thing called "script," which we call welfare now, but the only difference is that you had to perform some type of work to earn it. Things have certainly changed! Now when I go to the grocery store, I see people with there using "script," with shopping carts loaded, dressed better than me and driving away in a better vehicle than I have. Illegals may, in the future have more opportunity than me, from what I am hearing. What is happening to the American Way of doing things? Well, let me get on with my real story.

I joined the Army in 1969 because I thought it was the right thing to do with Vietnam going on. I didn't go there, but my intentions were patriotic and I did my tour of duty and was honorably discharged in 1971. I went to work driving a truck when I came home and did that until 1986 when I got called to be a Chicago Firefighter. When I got out of the fire academy, which was about 3 months, I went back to my old job and asked if I could work there on all my days off and they agreed

to take me back. Between the firefighter job and the truck driving job I was only off about 5 to 6 days a month. It was hard but I did it because of what my grandparents told me years before. I drove that truck until March 1998 and then I had 25 years vested in the truck drivers union so I qualified for a pension. After that I worked as a carpenter when I could find work and right now I am looking to do something else on the side to earn extra money. All along I am proud of myself and what I have accomplished. Thinking, well—here I am with 2 pensions when I retire and social security, all that I worked for and earned, the American Way.

Nobody gave me nothing and I paid my taxes and social security just like any good citizen would but now here I am—going to be penalized for doing the right thing and I can't believe it.

I just don't think it is fair at all.

I live in Chicago and it has always been a political city so you are more apt to pay attention to the goings on of politics than the average person. I read about the multiple pensions politicians get often and I don't favor that, but that's politics. If that's how it is and they earned it, well who am I to say they shouldn't receive it.

Now I think I have earned what I worked for and they want to take it away and it just isn't fair. I only hope that the politicians think of the many people like me who did the right thing and worked hard. We only want a fair shake and the retirement we deserve.

IT'S THE AMERICAN WAY!

Statement of Dana Szakatits, Sterling, Illinois

I am very concerned that my SS will be reduced or eliminated. I chose to stay home with my children when they were young, however, I did work some part-time teaching jobs in IN and paid into SS. I have been teaching full time in IL for 14 years now. To be able to receive full teacher retirement I would have to teach until I am 74 years old!! I do not qualify for a great deal of SS, but I need this to supplement the partial retirement I will receive. I paid into SS, therefore, I should receive the money for which I "qualify."

Statement of Patricia Hall Taniashvili, Surry, Maine

Thank you for giving me this opportunity to write to you.

My name is Patricia Hall Taniashvili. I am presently a teacher at Ellsworth High School in Ellsworth, Maine; I am sixty years old, and cannot even consider retirement due to the financial constraints imposed upon me by the GPO/WEP laws. Because of these laws, I am not permitted to collect the full Social Security pension to which I am entitled, having paid into the system for my entire working life.

I got my first job in the summer of 1960, working as a proofreader in a newspaper office in coastal North Carolina. Social Security taxes were deducted from my paycheck at that time.

After I received my B.A. degree in 1964, I taught Freshman Composition at Valparaiso University in Valparaiso, Indiana for a year. Social Security taxes were deducted from my paycheck at that time.

From the fall of 1965 until the spring of 1968, I taught English (to all students) at Washington County High School in Valparaiso. Social Security taxes were deducted from my paycheck at that time.

After my two children were born, I returned to teaching at Hobart Junior High School in Hobart, Indiana, where I taught English and French from 1974–1979. Social Security taxes were deducted from my paycheck at that time.

In 1980 I moved to Maine, and taught English and French at Calais High School in Calais until the spring of 1989. In order to supplement my low salary, I worked during the summers at the tourist information office there. Social Security taxes were deducted from that paycheck at that time.

In 1989 I moved to Lamoine, Maine, and taught English for a year and a half at Sumner High School in Gouldsboro.

I spent 1991 teaching English as a foreign language in Tbilisi, Republic of Georgia; at that time Georgia was a member of the U.S.S.R.

In early 1992 I returned to Maine, and began teaching French and Spanish at Ellsworth High School in Ellsworth, Maine, where I am still employed. Once again, in order to supplement my inadequate teaching salary, I started working during the summers at Kneisel Hall (a chamber music school and concert series) in Blue Hill. Social Security taxes were deducted from that paycheck during that time.

I don't know when I will be able to retire. My Maine State Teachers Retirement pension will not cover my living expenses, especially since I do not own a house and must pay rent every month. I estimate that my Maine State Teachers Retirement pension will be approximately $20,640 a year. Our health insurance cost will be well over $700 a month out of my $1,720 a month. This leaves me with $1,000 or less per month BEFORE taxes. Thanks to the Windfall Elimination provision, my full Social Security pension to which I am entitled will be reduced to only approximately $178 a month at age 62, approximately $293 at 65 and 10 months, or $495 at age 70. My small Maine State Teachers Pension and my truncated Social Security pension together are simply not enough for me to live on.

If I had stayed in Indiana to teach, I would have my Indiana teachers' retirement pension plus the full Social Security pension to which I am entitled. Why am I being discriminated against because I moved to Maine? What have I done to have my Social Security pension cut?

The final insult and irony is that after I retire from teaching, I will have to once again supplement my income by working at a part-time job—from which Social Security taxes will be deducted. **I will never be permitted to collect the full benefit to which I am entitled from this work.**

For all of my working life, I have accepted the low pay given to teachers because I love teaching and I love the kids I work with. Now I am faced with the fear that I will have to keep working for an indefinite time, because I can't afford to retire, even though I'd like to plan on it. Another fear that I have is that I will get sick and not be able to work, yet not be able to afford not to.

The GPO/WEP has put me in an untenable position financially and personally. The elimination of a portion of my Social Security pension is unfair and immoral. The repeal of this law would make a huge difference to me.

Statement of Larry Taylor, Dixon, Illinois

I am writing regarding a testimony for the House Ways and Means subcommittee on Social Security. I'm one of those citizens very upset with the social security regulation that does not allow one to collect full benefits because of the "so called" two government agency restriction. I have been in education for the past forty-five years and I am still teaching part time. I worked as summer school director in our school system so that I could contribute to social security for over twenty-five years (and qualify for full benefits). My intention was to collect social security benefits when I retired so I could pay for my health insurance benefits. Bad news. Even though I planned ahead the following happened. In President Ronald Reagan's tenure, a new law was passed prohibiting an individual from getting full benefits from social security if they worked for another government agency. I had saved and planned ahead for my retirement and was counting on social security funds as part of my retirement. Guess what? I am now forced to work part time to take care of my health care expenses. Currently, I only get one fourth the money I am entitled to under the current regulation (cannot collect full benefits if employed by another government agency). The one fourth amount is $91 per month, and since I am sixty five, social security takes out $55 per month for Medicare. This gives me a net $36 per month from social security. Does this sound right???? It is time someone took time to look at the government regulation controlling social security and made this fair for the working people of the United States of America.

Thank you for your valuable time in reading my testimony.

Statement of Tom Pritchard, Texas Retired Teachers Association, Austin, Texas

The Texas Retired Teachers Association is calling for the repeal of both the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) of the Social Security Law. These Social Security provisions reduce or eliminate income for individuals who have chosen to serve their communities, state or country in public jobs. A non-public employee with a private pension will keep his/her full Social Security benefit.

The GPO and WEP also impact individuals who make mid-life changes from the private sector and the public sector—i.e., military retirees. In Texas there is a shortage of 40,000 certified teachers. If the GPO and WEP provisions were repealed, individuals who make career changes in mid-life could be attracted to the teaching profession. Individuals who make mid-career changes and choose to become teachers

are desperately needed to solve the current teacher shortage. Under the current law (WEP) individuals will be better off financially in their retirement years if they work as a greeter at Wal-Mart or flip hamburgers at McDonald's.

There are many women impacted by the GPO who entered the teaching profession, then stopped to raise a family, and later in their lives returned to teaching. These individuals generally accumulate 15 to 20 years in a teacher retirement fund. Upon their retirement from a teacher retirement system they generally forfeit their spousal Social Security benefits. The spouses of these individuals probably had contributed to Social Security their whole adult lives and probably the maximum amount; and anticipated that their spouses would benefit from their contributions to Social Security. These individuals cannot survive on a half teacher retirement; therefore, retirement is something they will never experience.

The repeal of the GPO and WEP would greatly benefit thousands of public servants now being penalized for their lives' work. These are hard times for seniors living on fixed incomes. The cost of health insurance, prescription drugs and general cost-of-living expenses continue to increase.

Thank you for taking the time to conduct the hearing on May 1.

Statement of Bettye D. Thompson, Macomb, Illinois

I am writing to you in support of passage of H.R. 594 that amends the Social Security Act that repeal the Government Pension Offset and Windfall Elimination Provisions. When I retired, I was told that since I had a state pension, I could not collect from my former husband's SS benefits. We were married for 29 years and I had counted on those benefits in my retirement planning.

Primarily, I worked very few years under SS in my own name. Basically, I was a homemaker and cared for my husband and 4 children. Our marriage ended in divorce. When I was nearing age 50, I was hired to teach at Western IL University. We were not given the choice of paying into SS nor did I have the opportunity to work enough years to qualify for an adequate pension. I have lost out on approximately $1,060.00 per month from my former husband's SS benefit since I retired on Jan. 1, l996. This seems unjust and discriminatory to penalize teachers under this law. Receiving the above benefits would greatly enhance the quality of my life. I urge your committee eliminate the penalties in this law.

Thank you for your consideration.

Boynton Beach, Florida 33437
April 27, 2003

Representative E. Clay Shaw
Chairman, Subcommittee on Social Security
Committee on Ways & Means
United States House of Representatives
Room B–316 Rayburn House Office Building
Washington, DC 20515–6100

Dear Representative Shaw:

I am writing to urgently ask for your support in repealing two very unjust social security provisions affecting retired educators and other public employees in only fourteen states. I was married to a man who had served in the army overseas for about five years and was awarded the Bronze Star. We were married for twenty eight years during which social security payments were made religiously in the same way as those made by couples who, upon reaching retirement age, receive *all* earned benefits. Our payments were made just as those made by couples in which a spouse died and the widow, who may have never worked, receives full benefits. Many proponents of this current plan see these individuals as deserving dependent survivors. I was in the same "dependent" position as these individuals for those twenty eight years while raising a family. To what should I be entitled for those years of both payments and a "dependent" lifestyle, as the others who are seen as being deserving? My husband became ill and died at a relatively early age and was not able to obtain any (other than a small G.I. policy) life insurance because of his dire diagnosis.

Because I went to work for a school system later in life I have been penalized by having all of my marital earned benefits offset. What were the twenty eight years

of payment for? And what about the promises of our government and social security? It should be apparent that entering the school system later in life did not allow me to build up a substantial amount to be received from the teacher's retirement pension as did those who put in all or most of their work years in that system. Many of these individuals may never have contributed to social security, and so, are not affected. But those of us who have, are not being treated in a just manner. My husband and I counted on my social security benefits as a significant part of my retirement plan. (I received no benefits from social security for my children because of their ages.) Gwendolyn King and others have identified the "three legged stool" to be considered for retirement planning (social security; pensions; and savings). One of my "legs" has been knocked away. I don't know many American citizens who would feel fairly treated when having paid for something for years, with a clear promise of later benefits, having those benefits eliminated because of other benefits earned through additional, and often very hard work. Saying that it is too expensive is not an adequate answer in terms of fairness and our nation's ideals.

How do Congressmen and women receive both? And how do persons employed in private settings receive both? Although some individuals in public service may never have contributed to social security, I contributed to both (marital, and on my own work). I was employed for some time before the school job, and there were significant time periods when I worked both for the school and in other part time positions (which had me paying into social security as well as into the teacher's retirement system at the same time). Is this to be considered a windfall? The full amount of required social security payments were made on my own work record, and was collected by the government. When I retired, I received an *added* punishment for working in a public school. I would now only receive forty percent of what my own social security earnings should have been because I worked and earned benefits through the school system. Social Security (Old Age and Survivors INSURANCE) was an agreement between the United States government and employees. People would establish eligibility by work and contributions (i.e. F.I.C.A. FEDERAL INSURANCE CONTRIBUTIONS ACT). It was an earned right. Daniel Patrick Moynihan had said that social security is not an entitlement because one was able to survive until age 65–62 . . . this is not the idea behind social security . . . it was envisioned from the beginning as a social insurance program. As Bill Archer noted that social security has never been an entitlement program but an "earned right" program and it is Congress's job to do whatever is necessary to deliver it. Carolyn Weaver (1999) said that social security presently pays the largest benefits to the highest income workers and it is both fair and appropriate that people who work and earn more get more under a retirement savings program. In AARP (1999) "Social Security is designed to be the foundation on which to build a secure retirement . . . is most likely an important part of your retirement plan . . . and you can count on that benefit amount regardless of what happens to you." . . . And Robert Ball said . . . those who are eligible should get it, regardless of other income.

I can't understand either the rationale or the ethicacy involved in the fourteen state only social security offset and windfall provisions; and neither can anyone with whom I have spoken. All have been incredulous and quite obviously thrilled not to find themselves in such a situation. Most friends can't face me and avoid eye contact because they are aware that each is benefiting, and I, who most likely have contributed as much or more, am being handled in a discriminatory manner. I know tremendously wealthy individuals receiving full benefits which are used for little "extras." I retired in 2000 at age 70 and had, as prescribed by the school district, notified them two years before retirement. It was in 2000 that the law changed allowing individuals to work and earn whatever they could and still receive social security benefits if age eligible. There was no grandfathering in as there was grandfathering in on the offset provision. (Therefore I never received the payments from age 65–70 as people have done since I retired). Many individuals receive generous tax benefits for charitable contributions. At least, why wouldn't I and others in my position, be entitled to credits for this forced support of the social security system?

I am not a greedy person, but find myself periodically, but continually, depressed and enraged about the treatment I am receiving from my country. Please support fairness and repeal these unreasonable laws.

Sincerely,

Deborah Tucker

Statement of Nancy M. Turco, Westerly, Rhode Island

Thank you for giving me this opportunity to write to you.

My name is Nancy Turco and I am writing to you as a member of the National Education Association, and as someone who will be affected by the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).

I live in Westerly, Rhode Island and have lived here all my life. I am married 42 years this coming September. We have three daughters living in Virginia, Texas, and New York and all three are employed as professional women. My husband has recently retired and will be working part time. I had hoped to retire after this current school year because I will be 65 at the end of August. However, I have decided to continue working because my social security retirement income will be considerably reduced because of the Windfall Elimination Provision.

I started my work life, as many others do, during high school summers. My four years of college required summer time hospital educational experience. In 1960 I graduated from Salve Regina University with a BS degree, and I have always maintained my RN in the State of Rhode Island since that time.

My nursing career has been varied and offered many opportunities. I have always sought to expand, learn, and keep abreast of all nursing and medical knowledge. I obtained a variety of nursing certifications including intravenous therapy, defibrillation, intensive care, and infection control. Throughout my career I worked all shifts: evenings, nights, and daytime. Nursing also requires work on weekends and holidays. This is not done easily when a person is married and has children. That is what the profession requires, so it was done. Two career positions I especially enjoyed were Head Nurse of a Medical Unit in the hospital and Director of Nursing in a newly opened Nursing Home. During all these years of employment at nursing homes and hospitals social security was deducted from my salary. I have paid Social Security 27 years.

In 1989 I began employment with the school department. This was a career change and a challenge for me to meet the health needs of high school students, teach prevention of illness and injury, and promote fitness and a healthy lifestyle. I completed the State of Rhode Island teacher certification process and also graduated from Rhode Island College with a Master of Education in Health. When I was hired, I was aware that I would not be employed with the school system for a sufficient number of years to earn a full teacher pension, which would require my working to about age 78. Although I am in good health, working to age 78 would be a challenge in a large school with over 1,200+ students and staff. I don't think I can do this. I had planned that for retirement I would have earned *some teacher pension plus my years of social security payment* and my retirement would be on a solid base. About two years ago I became aware of the unbelievable information about the GPO and WEP amendments to the Social Security Act. I can not understand why people who have never been employed or contributed to the social security system are able to collect social security. Yet, I will be unable to collect the amount that I have rightly earned by diligent work in my community as a registered nurse and a school nurse teacher and by my years of payroll contribution to this social security system.

Approval of the Social Security Fairness Act will help to stimulate the economy, which is what President George Bush is trying to do. People who have earned and worked for these funds would receive those needed dollars. It would be a great help to the economy and to the living standards of people affected by the GPO and the WEP.

Approval of the Social Security Fairness Act will also assist First Lady Laura Bush with her endeavor to promote Troops to Teachers. The GPO and WEP are presently having a negative affect on the Troops to Teachers program in many states at a time when teachers are desperately needed.

Please support the Social Security Fairness Act and repeal the GPO and WEP, and support H.R. 594.

Statement of Roy Tully, Twin County Retired School Personnel Association, Winnie, Texas

The Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) unfairly reduces the retirement benefits of public school employees in Texas and many other states.

I am contacting you on behalf of Twin County Retired School Personnel Association; an organization of retired educators in Texas. As a retired school administrator and president of this group, I represent 137 retired school personnel in Southeast

Texas. Many of our members have lost retirement benefits, which they and/or their spouse had counted on for security in their retirement years, due to these provisions.

We urge you to support legislation (H.R. 594) that totally repeals unfair limitations of benefits earned by these public employees. They have worked hard, paying into the system, and cannot afford this loss of benefits.

Your consideration in this matter would be greatly appreciated.

Statement of Theresa "Bianca" Urbanski, Crest Hill, Illinois

Currently, I am a Guidance Counselor at Lockport Township High School. I also have experience teaching special education in low income and inner city high schools.

Prior to entering the education field, I was working in the business world and paying into social security. I am a single person with no other income. I decided to leave the business world and teach. I never realized this move would jeopardize my social security money when I retired.

What is bad is because I did work in the business world for years I do not have an opportunity to put in the full amount of years to receive a full teachers pension. I will not receive a full teachers pension either. Since I have never married, I will not receive any spouse benefits.

I am not someone who only worked a few hours after school or a few summers here or there. I believe that I should receive full social security benefits. I find it appalling that teachers are bearing this burden. Teachers who changed careers should not be penalized from receiving full social security benefits.

If you need any further information from me please do not hesitate to contact me.

Statement of Margaret Ann Vincent, Santa Ana, California

Thank you for giving me this opportunity to write to you. I would like to relate how the GPO and WEP affect me as it now stands.

I began teaching in the state of Minnesota at the age of eighteen in 1956 on a two-year provisional. At that time I did not pay into social security or a state retirement fund as these programs were not in effect for teachers. I then moved to California in 1957 and proceeded to teach and work in a drug store for minimum wages, another thirty-six hours a week, in addition to a full time teaching position and raising three children. This allowed me to earn about thirty quarters in the Social Security system. My husband decides that in 1972 we should go back to Minnesota and he persuaded me to take out my California retirement, which amounted to $6,000.00. In 1979, after a long separation I was divorced from my first husband. I was able to continue teaching as my only source of income.

In 1981 I was introduced to my future husband and married in 1983. At that time I continued teaching and worked for a company to complete my forty quarters of social security in my own name. The amount that I would receive from my account before GPO and WEP is $150.00 per month according to my current statements.

Realizing that my new husband and myself did not have a lot of time to build our life together we decided to open a business. In order to facilitate this in the most expedient way, he moved into my home, using a room for an office and my garage as a storage area while we opened a warehouse and machine shop and built a business dealing in electrical parts for DC current used in basic metal production. My stable income generated the basis of this new venture. As in all business there were periods of success and very slow months where again my salary held it all together. Since my husband was self-employed he paid the max on Social Security.

March 3, 1995, after complaining about a stomach pain since December 1994 and being told he had an ulcer, he was diagnosed with pancreatic cancer. He died March 18, 1995. He did not leave a will as he was told that he had about six months to live and being in total shock from the diagnosis he did not accept the fact and did not complete any legal business. I was left with all bills for the business plus cars and other medical, burial and probate costs. I could not continue the business as I have no knowledge of all the parts, where they go and what they are for. His skill is similar to a dentist or a doctor. He was the source of the knowledge and what was needed.

I mortgaged my home for $100,000 to pay off his debts. My California STRS would give me $1,500.00 a month to live on if I taught to 65. Since that would not be adequate, I have replaced the $6,000.00 that I so foolishly allowed my first hus-

band into talking me to take out to the replacement cost of $60,000. I also went back to school to get my Masters to continue teaching to support myself.

I just turned 65 and am able to receive my husband's social security as long as I work. My current debt for his business bills and my education has put me into long-term debt that I am struggling with. I am not asking for a handout. I just want the money that has been paid in by my husband and myself. This is only fair.

Therefore I am petitioning you to lobby to change this most unfair act of the GPO and WEP. I also feel that this information needs to be presented to the public, and all parties who are interested into going into public education in the states that their social security payments are in jeopardy because of these blatant laws of injustice.

Statement of Lynne Walters, Auburn, Maine

Thank you for giving me this opportunity to write to you. My name is Lynne Walters. I live and work in the state of Maine.

As a teacher who is currently teaching in Maine and formerly taught for years in Pennsylvania, I will, in retirement, not be receiving any pension for my years in PA from Pennsylvania State Retirement System. I will also be losing most of my earned Social Security from those years as well because of the Windfall Elimination Provision (WEP). As a recent widow, I will be receiving NONE of my late husband's Social Security benefits because of the Government Pension Offset (GPO). I'm being penalized in several different ways.

My husband started working at the age of 15 in PA where we both paid into Social Security. After a number of years, we moved to ME; my husband continued to pay into Social Security for a total of 50 years until he passed away in March of 2001. We found out shortly before his death that I would not be able to receive any benefits at my retirement based upon his contributions.

We have always heard that retirement is a three-legged stool comprised of savings, pensions and Social Security. Now we find that one of these legs is being taken away from us.

One of the arguments I have heard is that we would be "double-dipping" if we received our earned Social Security. There are people who have been in the military, had second and even third careers, receive pensions for all, plus full Social Security. Since they earned their pensions and Social Security, this is never referred to as "double-dipping."

I had an opportunity to speak with a congressional aide from another state who told me it wouldn't be fair for me, as a widow, to receive my husband's benefits. I would then be getting more than a widow who has never worked outside her home. I do not understand why widows who *have* worked outside the home should be penalized because they chose to work (for the state of ME). How can legislators determine whether or not I need the safety net of Social Security along with whatever pension I have earned in Maine? Everyone's needs are different. There should be no discrimination against those who made a decision to work and bring in extra income.

This same congressional aide seemed to feel that if the GPO and the WEP were repealed, the social security system would become bankrupt. The implication was that paying the public employees their full benefits would destroy the Social Security system. I don't feel that this is an appropriate response to men and women who have worked in the public sector for much of their careers (and often at very low wages).

This situation is one that shows great inequity among people who live and work in various states. Why should public workers be penalized when they move and work in a state in which they are not allowed to contribute to Social Security? Why should public employees be penalized when they work at a second job to earn additional money for their families, pay full Social Security on those wages, then be denied full benefits based on those same wages? How about people who change to teaching, for example, in mid-career and work in an affected state? (Laura Bush has made a concerted effort to encourage career changes in order to get many more teachers, yet they will lose a great deal of their financial security.) Why are public employees who have paid into Social Security not able to realize the full benefits of those contributions? With the offsets in place, the people who will benefit from our contributions are other current and future Social Security recipients. Is that fair?

As teachers, we have paid our taxes and paid into Social Security. The offsets are an insult to people who have worked hard all of their lives in public service. We have had low-paying jobs, and since our salaries determine the amount of our pension, we therefore have low pensions. Then, we are further penalized by the offsets

to our Social Security (WEP) or our spouse's (GPO). We have earned the right to retire and expect the same treatment that others in our nation receive.

Please help all of us who are caught in this terrible predicament. Please eliminate the WEP and the GPO by voting for H.R. 594.

Statement of Crystal Ward, Lewiston, Maine

Thank you for giving me the opportunity to write to you on the GPO/WEP issue. My name is Crystal Ward and I am from Lewiston, Maine. Maine is one of the States that is adversely effected by the current laws. As the Social Studies Department Head at Lewiston High School I have a teacher who is retiring this year at age 74—yes it is 74!!.

This wonderful woman had to continue working long after the death of her husband because of the GPO/WEP. She had started her career after her children were raised. She worked several different jobs paying Social Security and worked hard to earn her Masters Degree in Education. With 20 years into the Maine Retirement System she tried to retire but found out she would lose $600.00/month she had been receiving at the death of her husband and she would lose another $200/month in her own Social Security benefit. The amount left would put her at the poverty level!!!!!!!!.

The current laws are totally inequitable to the hard working Americans who paid into a retirement system and are told they will not be allowed to draw out the full amount they deserve. For some reason it is believed these people are "double dipping" and that they should not be allowed to do that. But many other people pay into two or three different kinds of retirement systems and the government does not take away money from them, only people who pay into two GOVERNMENT systems must pay a penalty. WHY??? IF YOU PAY INTO TWO SYSTEMS YOU SHOULD BE ABLE TO DRAW YOUR FAIR SHARE FROM BOTH SYSTEMS.

If the USA can afford to pay $80 billion to bring freedom to Iraq—they can afford to pay for the hard working AMERICAN education employees, firefighters, policemen who have paid into Social Security. If you can afford to cut $350 billion you can afford to pay to get rid of the GPO/WEP. We have the money!!!!

Statement of Donna Wasneski, Grand Junction, Colorado

I am very disappointed that just because I chose to be a teacher I will not be able to collect as much of the social security widow's benefit as I would have in a private sector job. The fact that only certain jobs suffer this fate is awful. Please allow me to collect the funds my late husband had planned for me in full.

Statement of Keith L. Weidkamp, Granite Bay, California

In my high school and college I worked both full and part-time social security jobs to get myself through college. After graduating I started what is currently a 40-year teaching career in 1963 in California. In 1983 I began part-time and full-time summer work as an author for two national publishing companies. We have become involved in writing material for use in the study of accounting principles. This employment is considered self-employment income and while the amounts that I earned were modest, the tax consequences including 15+ percent of social security took more than half of every dollar that I was able to make. This year as an example I will contribute an additional $3,000 to my social security account.

As a result of the current social security tax law, I will qualify, if I continue to do this work for another two years, for a social security benefit of about $500.00 per month.

My wife will also qualify for a similar benefit in 4 years. Coupled with my teacher retirement, we will be able to maintain most of our modest standard of living we have enjoyed during my working years. However, the law will allow me only about 40 percent of my benefit, or $200.00 per month, and when I die, my social security will stop entirely, and my wife will have her benefit reduced significantly. With this happening and with any modest inflation over the next 20 years she and possibly myself will have outlived the benefits that we have worked for. While it has been difficult to pay the heavy self-employment tax over the last 20 years, why the law

would take away what my wife has worked for makes no sense to me. My real worry is what might happen financially for my wife after I am gone.

It is my sincere hope that the committee will see fit to right the wrong that was created when the law was changed back in the 80's. Allow those of us who paid for our retirement years, not be robbed of what we worked for. We have earned the right to finish out our lives without fear or anxiety about our financial future.

I appreciate the opportunity to present this statement to the committee. If every teacher had 50 years of service to use to calculate their teacher retirement, they would have no financial problem to deal with. However, most teachers have 25–35 years of modest income and retire at about 50 to 60 percent of that annual income. There are many teachers that I know who are really hurting financially trying to survive with their small retirement income.

South Burlington, Vermont 05403
May 6, 2003

The Honorable E. Clay Shaw, Jr., Chairman
Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Room B–316 Rayburn House Office Building
Washington, D.C. 20515–6100

Dear Representative Shaw:

I realize I should have written to you in a more timely fashion, but both my husband and I have been experiencing health problems, which now are hopefully resolved.

For 21 years, we lived in Normal, Illinois, and for 17 of those years, my husband was first a department chairman and then a professor at Illinois State University, while for 11 years, I was a Civil Service employee at ISU's Milner Library. In 1996, several years into our retirements, we moved to Vermont, where I have a lot of family.

When my husband was hired by ISU in 1974, he was not allowed to continue paying Social Security but was told that the state retirement system would take care of him. I believe that starting in 1984 or 1985 hirees could make the decision, whether they wanted SS or not. I began at Milner in 1979. I did not have a choice either. Because my husband had taught at various private and public colleges and universities on his way up the academic ladder, he had quite a bit invested in SS, but as you know, he gets the minimum amount in retirement. He should be getting the total amount, as he earned it outside of Illinois. There is no double-dipping in his case. What is of interest is that the public institutions for which my husband taught did indeed allow SS, while ISU did not.

Because I only worked 11 years at Milner Library at ISU until retirement (I am 8 years younger than my husband), I did not have enough quarters in SS to qualify for even the minimum benefits. At age 65, I hitched onto my husband's SS in order to receive Medicare benefits. To my great surprise, after visiting the local SS office and also receiving a letter with the details of my benefits, one year I received a letter that I owed SS for over-paid benefits. Because the State of Illinois has a built-in 3% pension increase each year, so far, that impacts on the SS I receive. SS will not accept my figure each year—and I have gotten it from the State of Illinois—as it is not official, and that figure doesn't come in the mail until well into February. Each year the amount goes down (I am at $56 per month at the moment), and if I live long enough, I will not receive anything and will have to pay Medicare out of my own pocket. I also am not sure what I will receive, should my husband predecease me, although our son feels that it would be about $200 per month because of the WEP and GPO offsets, if I am lucky.

Why Congress is allowed to double-dip is very curious indeed, but as the local SS office told us, Congress wrote the laws to suit themselves and not to help their constituents. Nobody told us what was ahead for us, when we were hired by ISU. We simply would not have left his previous university. It's as simple as that. I have written to the Vermont Congressional delegation but have had no replies to date. (They were in recess at the time and perhaps have not had a chance to respond, although all three are very good about keeping in touch. Also their local offices are very sympathetic and helpful.)

We are affected by both the WEP and GPO Social Security offsets. I do not hold out much hope that H.R. 594 will be given more than the hearing I saw on television, but I would like these offsets ELIMINATED, totally. Too many of us had no idea what they were and how they would affect us in our later years after retirement. Please do what you can to help. I would like to add that we are intelligent people from whom the bitter truth was hidden for hiring reasons, we are sure.

Sincerely yours,

Helga N. Whitcomb
Richard O. Whitcomb

Joliet, Illinois 60432
April 24, 2003

Representative E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
United States House of Representatives
Room B–316 Rayburn House Office Building
Washington, DC 20515–6100

Dear Representative Shaw:

I am a high school business education teacher who worked her way through college. I worked many different, and sometimes unpleasant, menial jobs putting myself through college. When I finished college, I had enough quarters to qualify for Social Security. From time to time throughout my teaching career, I have worked in the private sector during summer breaks to earn extra income.

The Government Pension Offset (GOP) and the Windfall Elimination Provision (WEP) reduce or eliminate Social Security benefits. I am a single person and I need all the benefits I can get. I have been working since I was 13 years old. I would like to be able to retire at 57 years of age with 34 years of public service as a teacher. Whenever I do retire, I would like to be able to support myself comfortably with my retirement benefits.

I, like everyone else in this situation, only want what is due me from Social Security and from the Teachers' Retirement System. I'm not asking for a freebie or a handout. I am not asking for more than what I actually earned. I am asking specifically to be granted all the retirement benefits that are rightfully mine.

Thank you for doing all that you can to support retirees who receive pensions for non-Social Security covered employment to fully receive ALL that is due us from both Social Security and our public service employment.

Blessings,

Emma J. Williamson

Statement of Beatrice D. Willis, Winnie, Texas

I was a public school employee in Texas as a teachers' aide and secretary for twenty years. I paid into a Teacher Retirement Fund but was not required to contribute to Social Security. I am seventy-one years of age. When I was sixty-seven, I retired from my last position with a Texas State Agency after working twelve years there. During my working years my employers and I both contributed for sixteen years to the Social Security tax fund for my benefits.

When I was ready to retire and went to register for Medicare and Social Security, I was devastated to learn that my Social Security benefits would be reduced by forty percent because I received a small teachers' retirement check. This was due to the WINDFALL ELIMINATION PROVISION (WEP) in the Social Security Laws.

The forty percent I was penalized is money I earned and worked hard for. I was not a high-wage earner at the school system. I receive a small annuity from the Teacher Retirement System because of what I contributed there. I worked other places to supplement my retirement and am not being treated fairly.

PLEASE consider how this law is penalizing people for working to make a living and help us. So many people who have been hurt by this unfair law need your help.

Thank you for your consideration.

Statement of Martin C. Wolf, Bishop, California

When I retired in 1995, from Los Angeles College West, after 28 years of instructing, I thought I was entitled to full Social Security benefits, if my spouse passed away. Well she did, and I was wrong. I should have been entitled to a major percentage of hers, or mine whichever was more. To my surprise I was told by Social Security that the benefits were a "windfall," part of hers was not an option, and my social security is minimal. In our family with five children, we needed two incomes, and we both sacrificed with contributions to Social Security. It is only fair that I should receive, and should have received that benefit like other taxpayers. This policy, however formulated, is wrong and should be changed.

Educators are not highly paid. They are dedicated professionals who have a passion for teaching. Quite frankly the concept that I would receive a "windfall" is total nonsense. The policy that is now in effect regarding WEP & GPO penalizes and discourages educators.

I cannot fathom how my teaching retirement and Social Security amount to a windfall. It's time these policies were rectified for myself and for all teachers past and present.

Thank you for your kind and careful consideration.

Rocklin, California 95765
April 28, 2003

Representative E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
The Committee on Ways and Means
United States House of Representatives
Room B–316 Rayburn House Office Building
Washington, DC 20515–6100

Thank you for giving me this opportunity to write to you concerning the Social Security Windfall Elimination and Pension Offset provisions.

My name is Ralph Wright, and I am a teacher at Granite Bay High School, Granite Bay, California 95746. I have been a teacher for 17 years, entering the profession mid-career. Because of the number of years, when I retire, the California State Retirement system will only pay me approximately $1,300 (before taxes) every month. This amount of money does not even come close to covering my house and utility payments, and I will have to depend on Social Security to make up the difference so that my wife and I can live. I paid all my quarters before I returned to teaching in 1987.

A normal Social Security payment would be enough for my needs. But to have my SS benefit cut by 60 percent will place an undue hardship on my life. We may be forced to sell our home. The "golden years" which we should be able to enjoy will not be there, and I may have to have a part-time job to make up the difference.

Had I been in the California retirement system for a full teaching career, I would have received enough retirement money to meet my needs. But the present law is severely penalizing me and all others like me who do not have that many years in teaching. I have paid into the SS system; I should be able to enjoy the fruits of this money.

And since my wife only draws $141.00 a month in the teacher's retirement system (for teaching many years ago), she can plan on losing most of her Social Security when she makes her first SS claim. If I die, she, as my widow, can plan on receiving *none* of my Social Security. That is not fair at all.

I urge the committee to recommend that H.R. 594 be passed by both houses of Congress and sent to the President for his signature. To not do this is to condemn a huge number of people to poverty—something that the original authors of the present law never dreamed would happen nor, I am sure, planned for. Please help us. The repeal of the Windfall and Offset Provisions is just as important as any other piece of legislation this year, including tax cuts!

Sincerely,

Ralph E. Wright

Statement of Claude M. Wyatt, Santa Anna, Texas

Sir, I wish to comment on the GPO/WEP hearings that were conducted on May 1, 2003. The GPO/WEP penalizes the surviving spouse of a worker that did not work in a situation that paid into a "government" pension plan. Since a married couple is considered to be "one" in income and has to pay taxes as such, they should be considered as one in retirement. It is very unfair to penalize the surviving spouse due to the fact that the survivor paid into a government pension plan, without choice in most situations. That tells American citizens that the work that they perform during their life will not help to insure that their surviving spouse will be able to have some of the rewards that they worked for to insure that their survivor will be able to live with some modem of security and dignity in their retirement years. I urge you to please vote to repeal the unfair, unjust GPO/WEP and allow retiring Americans the benefits that their spouses worked for and allow them the full benefits that they are entitled to as an American. Thank you.